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असाधारण

EXTRAORDINARY

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PART II — Section 2

प्राधिकार से प्रकाशित

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bills were introduced in Lok Sabha on 3rd March, 2015.

BILL NO. 39 OF 2015

A Bill further to amend the Warehousing Corporations Act, 1962.

BE it enacted by Parliament in the Sixty-sixth Year of the Republic of India as follows:—

1. This Act may be called the Warehousing Corporations (Amendment) Act, 2015.

Short title.

58 of 1962.

2. In the Warehousing Corporations Act, 1962 (hereinafter referred to as the principal Act), for section 5, the following section shall be substituted, namely:—

Substitution of new section for section 5.

“5. Notwithstanding anything contained in the Acts mentioned in this section, the shares of the Central Warehousing Corporation shall be deemed to be—

Certain shares to be approved securities.

2 of 1882.

(a) included among other securities enumerated in section 20 of the Indian Trusts Act, 1882; and

4 of 1938.

(b) the approved securities for the purposes of the Insurance Act, 1938 and the Banking Regulation Act, 1949.”

10 of 1949.

Amendment of
section 27.

3. In the principal Act, in section 27, for sub-section (4), the following sub-section shall be substituted, namely:—

“(4) The bonds and debentures of a State Warehousing Corporation may be guaranteed by the appropriate Government on the recommendation of the Board of Directors of the State Warehousing Corporation at the time such bonds or debentures are issued.”.

Amendment
of section 30.

4. In the principal Act, in section 30, in sub-section (2), the proviso shall be omitted.

Amendment
of section 31.

5. In the principal Act, in section 31, in sub-section (8), the proviso shall be omitted.

Amendment
of section 39.

6. In the principal Act, in section 39, both the provisos shall be omitted.

STATEMENT OF OBJECTS AND REASONS

The Warehousing Corporations Act, 1962 was enacted to provide for the incorporation and regulation of corporations for the purpose of warehousing of agricultural produce and certain other commodities as may be notified by the Central Government and for matters connected therewith. The Central Warehousing Corporation established under the said Act is a profit earning Public Sector Enterprise under the administrative control of the Department of Food and Public Distribution and a Mini-Ratna Public Sector Enterprise as declared by the Department of Public Enterprises. One of the essential criteria for award of Mini-Ratna status to a Central Public Sector Enterprise is that no financial support or contingent liability on the part of the Government should be involved in respect of that enterprise and that it should also not depend upon any budgetary support or Government guarantee.

2. The Central Warehousing Corporation has consistently paid dividend to the Government of India since 1957-58. The net worth of the Corporation has been positive from 2003 onwards. The Corporation has not taken any loan from the Central Government. It is also not dependent upon budgetary support of the Government. Moreover, the Government has so far given no other guarantee to the Corporation except for the payment of minimum guaranteed dividend as required under sub-section (1) of section 5 of the Warehousing Corporations Act, 1962. Hence, section 5 of the said Act is proposed to be suitably amended with consequential amendments in sections 27, 30, 31 and 39 thereof. The guarantee referred to in the said sub-section (1) of section 5 would be withdrawn and the Central Government would be absolved of its responsibility of being guarantor.

3. The Bill seeks to achieve the above objects.

NEW DELHI;
The 17th February, 2015.

RAM VILAS PASWAN.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF
THE CONSTITUTION OF INDIA

[Copy of letter No. 6-20/2014/SG/463 dated 17 February, 2015 from Shri Ram Vilas Paswan, Minister for Consumer Affairs, Food and Public Distribution to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Warehousing Corporations (Amendment) Bill, 2015 recommends the introduction of the Bill in the House under articles 117(1) and 274(1) of the Constitution.

FINANCIAL MEMORANDUM

Clause 2 of the Bill seeks to substitute a new section for section 5 of the Warehousing Corporations Act, 1962 so as to do away with the existing provision relating to the shares of the Central Warehousing Corporation being guaranteed by the Central Government as to the repayment of the principal and the payment of annual dividend. The new section does not envisage any expenditure from the Consolidated Fund of India, either recurring or non-recurring. The consequential amendment to section 27 of the Act seeks to remove guarantee provided by the Central Government to the bonds and debentures of the Central Warehousing Corporation. The consequential amendment to section 39 of the Act seeks to remove certain exemptions under the Income-tax Act available to the Warehousing Corporations. Hence, the Bill does not involve any financial implication.

BILL NO. 31 OF 2015

A Bill further to amend the Insurance Act, 1938 and the General Insurance Business (Nationalisation) Act, 1972 and to amend the Insurance Regulatory and Development Authority Act, 1999 .

BE it enacted by Parliament in the Sixty-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Insurance Laws (Amendment) Act, 2015.

Short title
and
commencement.

(2) It shall be deemed to have come into force on the 26th day of December, 2014.

CHAPTER II

AMENDMENTS TO THE INSURANCE ACT, 1938

4 of 1938.

2. In the Insurance Act, 1938 (hereafter in this Chapter referred to as the Insurance Act), throughout the Act,—

Substitution
of references
to certain
expressions
by certain
other
expressions.

7 of 1913.

18 of 2013.

(a) for the words and figures "the Indian Companies Act, 1913", wherever they occur, the words and figures "the Companies Act, 2013" shall be substituted;

Amendment
of section 2.

(b) for the words and figures "the Companies Act, 1956", wherever they occur, the words and figures "the Companies Act, 2013" shall be substituted'. 1 of 1956.
18 of 2013.

3. In section 2 of the Insurance Act,—

(i) for clauses (I) and (IA), the following clauses shall be substituted, namely:—

'(I) "actuary" means an actuary as defined in clause (a) of sub-section (I) of section 2 of the Actuaries Act, 2006; 35 of 2006.

'(IA) "Authority" means the Insurance Regulatory and Development Authority of India established under sub-section (I) of section 3 of the Insurance Regulatory and Development Authority Act, 1999;'; 41 of 1999.

(ii) clause (5A) shall be omitted;

(iii) after clause (6B), the following clause shall be inserted, namely:—

'(6C) "health insurance business" means the effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient travel cover and personal accident cover;';

(iv) for clause (7A), the following clause shall be substituted, namely:—

'(7A) "Indian insurance company" means any insurer, being a company which is limited by shares, and,—

(a) which is formed and registered under the Companies Act, 2013 as a public company or is converted into such a company within one year of the commencement of the Insurance Laws (Amendment) Act, 2015; 18 of 2013.

(b) in which the aggregate holdings of equity shares by foreign investors, including portfolio investors, do not exceed forty-nine per cent. of the paid up equity capital of such Indian insurance company, which is Indian owned and controlled, in such manner as may be prescribed.

Explanation.--For the purposes of this sub-clause, the expression "control" shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

(c) whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business or health insurance business;';

(v) clause (8) shall be omitted;

(vi) in clause (8A),—

(I) for sub-clause (b), the following sub-clause shall be substituted, namely:—

"(b) having a minimum paid-up capital of rupees one hundred crore in case of life insurance business, general insurance business and health insurance business;";

(II) in sub-clause (d), after the words "general insurance business", the words "or health insurance business" shall be inserted;

(vii) for clause (9), the following clause shall be substituted, namely:—

'(9) "insurer" means—

(a) an Indian Insurance Company, or

(b) a statutory body established by an Act of Parliament to carry on insurance business, or

(c) an insurance co-operative society, or

(d) a foreign company engaged in re-insurance business through a branch established in India.

Explanation.—For the purposes of this sub-clause, the expression "foreign company" shall mean a company or body established or incorporated under a law of any country outside India and includes Lloyd's established under the Lloyd's Act, 1871 (United Kingdom) or any of its Members;';

(viii) in clause (10), the words and figures "licensed under section 42" shall be omitted;

(ix) in clause (11), in sub-clause (c), for the words "annuities payable out of any fund", the words "benefit payable out of any fund" shall be substituted;

(x) clauses (12), (13) and (15) shall be omitted;

(xi) in clause (16), for the words, brackets, figures and letter "clauses (13) and (13A) of section 2 of the Indian Companies Act, 1913", the words, brackets and figures "clause (68) and clause (72) of section 2 of the Companies Act, 2013" shall be substituted;

(xii) after clause (16), the following clauses shall be inserted, namely:—

(16A) "regulations" means the regulations framed by the Insurance Regulatory and Development Authority of India established under the Insurance Regulatory and Development Authority Act, 1999;

(16B) "re-insurance" means the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium;

(16C) "Securities Appellate Tribunal" means the Securities Appellate Tribunal established under section 15K of the Securities and Exchange Board of India Act, 1992;';

(xiii) clause (17) shall be omitted.

4. After section 2CA of the Insurance Act, the following section shall be inserted, namely:—

"2CB. (1) No person shall take out or renew any policy of insurance in respect of any property in India or any ship or other vessel or aircraft registered in India with an insurer whose principal place of business is outside India save with the prior permission of the Authority.

(2) If any person contravenes the provision of sub-section (1), he shall be liable to a penalty which may extend to five crore rupees."

5. Section 2E of the Insurance Act shall be omitted.

6. In section 3 of the Insurance Act,—

(i) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) Every application for registration shall be made in such manner and shall be accompanied by such documents as may be specified by the regulations.”;

(ii) in sub-section (2A), in clause (d), for the figures, letter and word "5, 31A and 32", the figures, word and letter "5 and 31A" shall be substituted;

Insertion of new section 2CB.
Properties in India not to be insured with foreign insurers except with the permission of Authority.

Omission of section 2E.
Amendment of section 3.

7 of 1913.
18 of 2013.

41 of 1999.

15 of 1992.

(iii) for sub-section (2C), the following sub-section shall be substituted, namely:—

"(2C) Any person aggrieved by the decision of the Authority refusing registration may, within thirty days from the date on which a copy of the decision is received by him, appeal to the Securities Appellate Tribunal.";

(iv) sub-section (2D) shall be omitted;

(v) for sub-sections (3), (4), (5) and (5A), the following sub-sections shall be substituted, namely:—

"(3) In the case of any insurer having joint venture with a person having its principal place of business domiciled outside India or any insurer as defined in sub-clause (d) of clause (9) of section 2, the Authority may withhold registration already made if it is satisfied that in the country in which such person has been debarred by law or practice of that country to carry on insurance business.

(4) The Authority may suspend or cancel the registration of an insurer either wholly or in so far as it relates to a particular class of insurance business, as the case may be,—

(a) if the insurer fails, at any time, to comply with the provisions of section 64VA as to the excess of the value of his assets over the amount of his liabilities, or

(b) if the insurer is in liquidation or is adjudged as an insolvent, or

(c) if the business or a class of the business of the insurer has been transferred to any person or has been transferred to or amalgamated with the business of any other insurer without the approval of the Authority, or

(d) if the insurer makes default in complying with, or acts in contravention of, any requirement of this Act or of any rule or any regulation or order made or, any direction issued thereunder, or

(e) if the Authority has reason to believe that any claim upon the insurer arising in India under any policy of insurance remains unpaid for three months after final judgment in regular court of law, or

(f) if the insurer carries on any business other than insurance business or any prescribed business, or

(g) if the insurer makes a default in complying with any direction issued or order made, as the case may be, by the Authority under the Insurance Regulatory and Development Authority Act, 1999, or

41 of 1999.

(h) if the insurer makes a default in complying with, or acts in contravention of, any requirement of the Companies Act, 2013 or the General Insurance Business (Nationalisation) Act, 1972 or the Foreign Exchange Management Act, 1999 or the Prevention of Money Laundering Act, 2002, or

18 of 2013.

57 of 1972.

42 of 1999.

15 of 2002.

(i) if the insurer fails to pay the annual fee required under section 3A, or

(j) if the insurer is convicted for an offence under any law for the time being in force, or

(k) if the insurer being a co-operative society set up under the relevant State laws or, as the case may be, the Multi-State Co-operative Societies Act, 2002, contravenes the provisions of law as may be applicable to the insurer.

39 of 2002.

(5) When the Authority suspends or cancels any registration under clause (a), clause (d), clause (e), clause (f), clause (g) or clause (i) of sub-section (4), it shall give notice in writing to the insurer of its decision, and the decision shall take effect on such date as it may specify in that behalf in the notice, such date not being less than one month not more than two months from the date of the receipt of the notice in the ordinary course of transmission.

(5A) When the Authority suspends or cancels any registration under clause (b), (c), (j) or (k) of sub-section (4), the suspension or cancellation, as the case may be, shall take effect on the date on which notice of the order of suspension or cancellation is served on the insurer.";

(vi) for sub-section (5C), the following sub-section shall be substituted, namely:—

"(5C) Where a registration is suspended or cancelled under clause (a), clause (d), clause (e), clause (f), clause (g) or clause (i) of sub-section (4), the Authority may at its discretion revive the registration, if the insurer within six months from the date on which the suspension or cancellation took effect complies with the provisions of section 64VA as to the excess of the value of his assets over the amount of his liabilities or has had an application under sub-section (4) of section 3A accepted, or satisfies the Authority that no claim upon him such as is referred to in clause (e) of sub-section (4) remains unpaid or that he has complied with any requirement of this Act or the Insurance Regulatory and Development Authority Act, 1999, or of any rule or any regulation, or any order made thereunder or any direction issued under those Acts, or that he has ceased to carry on any business other than insurance business or any prescribed business, as the case may be, and complies with any directions which may be given to him by the Authority."

41 of 1999.

7. For section 3A of the Insurance Act, the following section shall be substituted, namely:—

"3A. (1) An insurer who has been granted a certificate of registration under section 3 shall pay such annual fee to the Authority in such manner as may be specified by the regulations.

(2) Any failure to deposit the annual fee shall render the certificate of registration liable to be cancelled."

8. For section 4 of the Insurance Act, the following section shall be substituted, namely:—

"4. The insurer shall pay or undertake to pay on any policy of life insurance or a group policy issued, a minimum annuity and other benefits as may be determined by regulations excluding any profit or bonus provided that this shall not prevent an insurer from converting any policy into a paid-up policy of any value or payment of surrender value of any amount."

9. In section 5 of the Insurance Act,—

(i) in sub-section (1), both the provisos shall be omitted;

(ii) sub-section (3) shall be omitted.

10. For section 6 of the Insurance Act, the following section shall be substituted, namely:—

"6. (1) No insurer not being an insurer as defined in sub-clause (d) of clause (9) of section 2, carrying on the business of life insurance, general insurance, health

Substitution of new section for section 3A.

Payment of annual fee by insurer.

Substitution of new section for section 4.

Minimum limits for annuities and other benefits secured by policies of life insurance.

Amendment of section 5.

Substitution of new section for section 6.

Requirement as to capital.

insurance or re-insurance in India or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall be registered unless he has,—

41 of 1999.

(i) a paid-up equity capital of rupees one hundred crore, in case of a person carrying on the business of life insurance or general insurance; or

(ii) a paid-up equity capital of rupees one hundred crore, in case of a person carrying on exclusively the business of health insurance; or

(iii) a paid-up equity capital of rupees two hundred crore, in case of a person carrying on exclusively the business as a re-insurer:

Provided that the insurer, may enhance the paid-up equity capital, as provided in this section in accordance with the provisions of the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 and the rules, regulations or directions issued thereunder or any other law for the time being in force:

18 of 2013.
15 of 1992.

Provided further that in determining the paid-up equity capital, any preliminary expenses incurred in the formation and registration of any insurer as may be specified by the regulations made under this Act, shall be excluded.

(2) No insurer, as defined in sub-clause (d) of clause (9) of section 2, shall be registered unless he has net owned funds of not less than rupees five thousand crore."

Amendment
of section
6A.

11. In section 6A of the Insurance Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) No public company limited by shares having its registered office in India, shall carry on life insurance business or general insurance business or health insurance business or re-insurance business, unless it satisfies the following conditions, namely:—

(i) that the capital of the company shall consist of equity shares each having a single face value and such other form of capital, as may be specified by the regulations;

(ii) that the voting rights of shareholders are restricted to equity shares;

(iii) that, except during any period not exceeding one year allowed by the company for payment of calls on shares, the paid-up amount is the same for all shares, whether existing or new:

Provided that the conditions specified in this sub-section shall not apply to a public company which has, before the commencement of the Insurance (Amendment) Act, 1950, issued any shares other than ordinary shares each of which has a single face value or any shares, the paid-up amount whereof is not the same for all of them for a period of three years from such commencement.";

47 of 1950.

(ii) in sub-section (2), after the words "paid-up amount of the", the word "equity" shall be inserted;

(iii) for sub-section (4), the following sub-section shall be substituted, namely:—

"(4) A public company as aforesaid which carries on life insurance business, general and health insurance business and re-insurance business—

(a) shall, in addition to the register of members maintained under the Companies Act, 2013, maintain a register of shares in which the name, occupation and address of the beneficial owner of each share shall be

18 of 2013.

entered including any change of beneficial owner declared to it within fourteen days from the receipt of such declaration;

(b) shall not register any transfer of its shares—

18 of 2013.

(i) unless, in addition to compliance being made with the provisions of section 56 of the Companies Act, 2013, the transferee furnishes a declaration in the prescribed form as to whether he proposes to hold the shares for his own benefit or as a nominee, whether jointly or severally, on behalf of others and in the latter case giving the name, occupation and address of the beneficial owner or owners, and the extent of the beneficial interest of each;

(ii) where, after the transfer, the total paid-up holding of the transferee in the shares of the company is likely to exceed five per cent of its paid-up capital unless the previous approval of the Authority has been obtained to the transfer;

(iii) where, the nominal value of the shares intended to be transferred by any individual, firm, group, constituents of a group, or body corporate under the same management, jointly or severally exceeds one per cent. of the paid-up equity capital of the insurer, unless the previous approval of the Authority has been obtained for the transfer.

Explanation.—For the purposes of this sub-clause, the expressions "group" and "same management" shall have the meanings respectively assigned to them in the Competition Act, 2002.";

12 of 2003.

(iv) sub-sections (3), (6), (7), (8), (9) and (10) shall be omitted;

(v) in sub-section (11),—

(a) in the opening portion, the words, brackets and figures "except those of sub-sections (7), (8) and (9)" shall be omitted;

(b) in clause (i), the word "and" shall be omitted;

(c) clause (ii) shall be omitted;

(d) in the *Explanation* 1, in clause (ii), in sub-clause (c), the words "managing agent" shall be omitted.

12. Section 6AA of the Insurance Act shall be omitted.

Omission of
section 6AA.
Amendment
of section 6B.

13. In section 6B of the Insurance Act,—

(i) in sub-section (1),—

(a) for the words "life insurance business", the words "life or general or health insurance or re-insurance business" shall be substituted; and

(b) for the words "Central Government", the word "Authority" shall be substituted;

(ii) in sub-sections (2) and (3), for the words "High Court", the words "the Securities Appellate Tribunal" shall be substituted;"

(iii) sub-section (4) shall be omitted.

14. Sections 6C, 7, 8 and 9 of the Insurance Act shall be omitted.

Omission of
sections 6C,
7, 8 and 9.

15. In section 10 of the Insurance Act,—

(i) in sub-section (1), for the words "prescribed in this behalf", the words "specified by the regulations" shall be substituted;

Amendment
of section 10.

(ii) in sub-section (2),—

(a) the words, brackets and figures, "after the expiry of six months from the commencement of the Insurance (Amendment) Act, 1946", shall be omitted;

6 of 1946.

(b) the words "under the law of the insurer's country" occurring at the end, shall be omitted.

(iii) after sub-section (2A), the following sub-section shall be inserted, namely:—

"(2AA) Where the insurer carries on the business of insurance, all receipts due in respect of each sub-class of such insurance business shall be carried to and shall form a separate fund, the assets of which shall be kept separate and distinct from other assets of the insurer and every insurer shall submit to the Authority the necessary details of such funds as may be required by the Authority from time to time and such funds shall not be applied directly or indirectly, save as expressly permitted under this Act or regulations made thereunder."

Substitution
of new
section for
section 11.

16. For section 11 of the Insurance Act, the following section shall be substituted, namely:—

Accounts and
balance sheet.

"11. (1) Every insurer, on or after the date of the commencement of the Insurance Laws (Amendment) Act, 2015, in respect of insurance business transacted by him and in respect of his shareholders' funds, shall, at the expiration of each financial year, prepare with reference to that year, balance sheet, a profit and loss account, a separate account of receipts and payments, a revenue account in accordance with the regulations as may be specified.

(2) Every insurer shall keep separate accounts relating to funds of shareholders and policyholders.

(3) Unless the insurer is a company as defined in clause (20) of section 2 of the Companies Act, 2013, the accounts and statements referred to in sub-section (1) shall be signed by the insurer, or in the case of a company by the chairman, if any, and two directors and the principal officer of the company, or in case of an insurance cooperative society by the person in charge of the society and shall be accompanied by a statement containing the names, descriptions and occupations of, and the directorships held by, the persons in charge of the management of the business during the period to which such accounts and statements refer and by a report on the affairs of the business during that period."

18 of 2013.

Substitution
of new
section for
section 12.

17. For section 12 of the Insurance Act, the following section shall be substituted, namely:—

Audit.

"12. The balance sheet, profit and loss account, revenue account and profit and loss appropriation account of every insurer, in respect of all insurance business transacted by him, shall, unless they are subject to audit under the Companies Act, 2013, be audited annually by an auditor, and the auditor shall in the audit of all such accounts have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by section 147 of the Companies Act, 2013."

18 of 2013.

Amendment
of section 13.

18. In section 13 of the Insurance Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) Every insurer carrying on life insurance business shall, once at least every year cause an investigation to be made by an actuary into the financial condition of the life insurance business carried on by him, including a valuation of his liabilities in respect thereto and shall cause an abstract of the report of such actuary to be made in accordance with the regulations:

Provided that the Authority may, having regard to the circumstances of any particular insurer, allow him to have the investigation made as at a date not later than two years from the date as at which the previous investigation was made:

41 of 1999.

Provided further that every insurer, on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall cause an abstract of the report of the actuary to be made in such manner as may be specified by the regulations.";

(ii) for sub-section (4), the following sub-section shall be substituted, namely:—

"(4) There shall be appended to every such abstract a statement prepared in such form and in such manner as may be specified by the regulations:

Provided that, if the investigation referred to in sub-sections (1) and (2) is made annually by any insurer, the statement need not be appended every year but shall be appended at least once in every three years.";

(iii) for sub-section (6), the following sub-section shall be substituted, namely:—

'(6) The provisions of this section relating to the life insurance business shall apply also to any such sub-class of insurance business included in the class "Miscellaneous Insurance" and the Authority may authorise such modifications and variations of regulations as may be necessary to facilitate their application to any such sub-class of insurance business:

Provided that, if the Authority is satisfied that the number and amount of the transactions carried out by an insurer in any such sub-class of insurance business is so small as to render periodic investigation and valuation unnecessary, it may exempt that insurer from the operation of this sub-section in respect of that sub-class of insurance business.'

19. For section 14 of the Insurance Act, the following section shall be substituted, namely:—

Substitution
of new
section for
section 14.

"14. (1) Every insurer, in respect of all business transacted by him, shall maintain—

Record of
policies and
claims.

(a) a record of policies, in which shall be entered, in respect of every policy issued by the insurer, the name and address of the policyholder, the date when the policy was effected and a record of any transfer, assignment or nomination of which the insurer has notice;

(b) a record of claims, every claim made together with the date of the claim, the name and address of the claimant and the date on which the claim was discharged, or, in the case of a claim which is rejected, the date of rejection and the grounds thereof; and

(c) a record of policies and claims in accordance with clauses (a) and (b) may be maintained in any such form, including electronic mode, as may be specified by the regulations made under this Act.

(2) Every insurer shall, in respect of all business transacted by him, endeavour to issue policies above a specified threshold in terms of sum assured and premium in electronic form, in the manner and form to be specified by the regulations made under this Act."

Substitution
of new
section for
section 15.

Submission of
returns.

20. For section 15 of the Insurance Act, the following section shall be substituted, namely:—

"15. (1) The audited accounts and statements referred to in section 11 or sub-section (5) of section 13 and the abstract and statement referred to in section 13 shall be printed, and four copies thereof shall be furnished as returns to the Authority within six months from the end of the period to which they refer.

(2) Of the four copies so furnished, one shall be signed in the case of a company by the chairman and two directors and by the principal officer of the company and, if the company has a managing director by that managing director and one shall be signed by the auditor who made the audit or the actuary who made the valuation, as the case may be."

Omission of
section 16.

Omission of
sections 17
and 17A.

Amendment
of section
20.

21. Section 16 of the Insurance Act shall be omitted.

22. Sections 17 and 17A of the Insurance Act shall be omitted.

23. In section 20 of the Insurance Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) Every return furnished to the Authority or certified copy thereof shall be kept by the Authority and shall be open to inspection; and any person may procure a copy of any such return, or of any part thereof, on payment of such fee as may be specified by the regulations.";

(ii) in sub-section (2), the words and figures "or section 16" shall be omitted;

(iii) in sub-section (3), for the words "one rupee", the words "such fee as may be specified by the regulations" shall be substituted.

Amendment
of section 21.

24. In section 21 of the Insurance Act,—

(i) in sub-section (1), in clause (d), the words and figures "or section 16" shall be omitted;

(ii) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The Securities Appellate Tribunal may, on the application of an insurer and after hearing the Authority, cancel any order made by the Authority under clause (d) of sub-section (1) or may direct the acceptance of such a return which the Authority has declined to accept, if the insurer satisfies the Tribunal that the action of the Authority was in the circumstances unreasonable:

Provided that no application under this sub-section shall be entertained unless it is made before the expiration of four months from the date when the Authority made the order or declined to accept the return."

Amendment
of section 22.

25. In section 22 of the Insurance Act,—

(i) in sub-section (1), the words, brackets, letter and figures "or an abstract of a valuation report furnished under clause (c) of sub-section (2) of section 16" shall be omitted;

(ii) in sub-section (2), the words, brackets and figures "or, as the case may be, of sub-section (2) of section 16" shall be omitted.

Substitution
of new
sections for
sections 27,
27A, 27B,
27C and 27D.

26. For sections 27, 27A, 27B, 27C and 27D of the Insurance Act, the following sections shall be substituted, namely:—

‘27. (1) Every insurer shall invest and at all times keep invested assets equivalent to not less than the sum of—

Investment of assets.

(a) the amount of his liabilities to holders of life insurance policies in India on account of matured claims, and

(b) the amount required to meet the liability on policies of life insurance maturing for payment in India,

less—

(i) the amount of premiums which have fallen due to the insurer on such policies but have not been paid and the days of grace for payment of which have not expired, and

(ii) any amount due to the insurer for loans granted on and within the surrender values of policies of life insurance maturing for payment in India issued by him or by an insurer whose business he has acquired and in respect of which he has assumed liability in the following manner, namely:—

(a) twenty-five per cent. of the said sum in Government securities, a further sum equal to not less than twenty-five per cent. of the said sum in Government securities or other approved securities; and

(b) the balance in any of the approved investments,

as may be specified by the regulations subject to the limitations, conditions and restrictions specified therein.

(2) In the case of an insurer carrying on general insurance business, twenty per cent. of the assets in Government Securities, a further sum equal to not less than ten per cent. of the assets in Government Securities or other approved securities and the balance in any other investment in accordance with the regulations of the Authority and subject to such limitations, conditions and restrictions as may be specified by the Authority in this regard.

Explanation.—In this section, the term "assets" means all the assets of insurer at their carrying value but does not include any assets specifically held against any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion thereof, as the case may be, is regulated by the law of any country outside India or miscellaneous expenditure or in respect of which the Authority is satisfied that it would not be in the interest of the insurer to apply the provisions of this section.

(3) For the purposes of sub-sections (1) and (2), any specified assets shall, subject to such conditions, if any, as may be specified, be deemed to be assets invested or kept invested in approved investments specified by regulations.

(4) In computing the assets referred to in sub-sections (1) and (2), any investment made with reference to any currency other than the Indian rupee which is in excess of the amount required to meet the liabilities of the insurers in India with reference to that currency, to the extent of such excess, shall not be taken into account:

Provided that nothing contained in this sub-section shall affect the operation of sub-section (2):

Provided further that the Authority may, either generally or in any particular case, direct that any investment shall, subject to such conditions as may be imposed, be taken into account, in such manner as may be specified in computing the assets referred to in sub-sections (1) and (2) and where any direction has been issued under this proviso, copies thereof shall be laid before each house of Parliament as soon as may be after it is issued.

(5) Where an insurer has accepted re-insurance in respect of any policies of life insurance issued by another insurer and maturing for payment in India or has ceded re-insurance to another insurer in respect of any such policies issued by himself, the sum

referred to in sub-section (1) shall be increased by the amount of the liability involved in such acceptance and decreased by the amount of the liability involved in such cession.

(6) The Government securities and other approved securities in which assets are under sub-section (1) or sub-section (2) to be invested and kept invested shall be held by the insurer free of any encumbrance, charge, hypothecation or lien.

(7) The assets required by this section to be held invested by an insurer incorporated or domiciled outside India shall, except to the extent of any part thereof which consists of foreign assets held outside India, be held in India and all such assets shall be held in trust for the discharge of the liabilities of the nature referred to in sub-section (1) and shall be vested in trustees resident in India and approved by the Authority, and the instrument of trust under this sub-section shall be executed by the insurer with the approval of the Authority and shall define the manner in which alone the subject-matter of the trust shall be dealt with.

Explanation.—This sub-section shall apply to an insurer incorporated in India whose share capital to the extent of one-third is owned by, or the members of whose governing body to the extent of one-third consists of members domiciled elsewhere than in India.

Further
provisions
regarding
investments.

27A. (1) No insurer carrying on life insurance business shall invest or keep invested any part of his controlled fund and no insurer carrying on general business shall invest or keep invested any part of his assets otherwise than in any of the approved investments as may be specified by the regulations subject to such limitations, conditions and restrictions therein.

(2) Notwithstanding anything contained in sub-section (1) or sub-section (2) of section 27, an insurer may, subject to the provisions contained in the next succeeding sub-sections, invest or keep invested any part of his controlled fund or assets otherwise than in an approved investment, if—

(i) after such investment, the total amounts of all such investments of the insurer do not exceed fifteen per cent. of the sum referred to in sub-section (1) of section 27 or fifteen per cent. of the assets referred to in sub-section (2) as the case may be;

(ii) the investment is made, or, in the case of any investment already made, the continuance of such investment is with the consent of all the directors present at a meeting and eligible to vote, special notice of which has been given to all the directors then in India, and all such investments, including investments in which any director is interested, are reported without delay to the Authority with full details of the investments and the extent of the director's interest in any such investment.

(3) An insurer shall not out of his controlled fund or assets as referred to in section 27,—

(a) invest in the shares of any one banking company; or

(b) invest in the shares or debentures of any one company,

more than the percentage specified by the regulations.

(4) An insurer shall not out of his controlled fund or assets as referred to in sub-section (2) of section 27 invest or keep invested in the shares or debentures of any private limited company.

(5) All assets forming the controlled fund or assets as referred to in sub-section (2) of section 27, not being Government securities or other approved securities in which assets are to be invested or held invested in accordance with this section, shall (except for a part thereof not exceeding one-tenth of the controlled fund or assets as referred to in sub-section (2) thereof in value which may, subject to such

conditions and restrictions as may be prescribed, be offered as security for any loan taken for purposes of any investment), be held free of any encumbrance, charge, hypothecation or lien.

(6) If at any time the Authority considers any one or more of the investments of an insurer to be unsuitable or undesirable, the Authority may, after giving the insurer an opportunity of being heard, direct him to realise the investment or investments, and the insurer shall comply with the direction within such time as may be specified in this behalf by the Authority.

(7) Nothing contained in this section shall be deemed to affect in any way the manner in which any moneys relating to the provident fund of any employee or to any security taken from any employee or other moneys of a like nature are required to be held by or under any Central Act, or Act of a State legislature.

Explanation.—In this section "controlled fund" means—

(a) in the case of any insurer carrying on life insurance business—

(i) all his funds, if he carries on no other class of insurance business;

(ii) all the funds in India appertaining to his life insurance business if he carries on some other class of insurance business also.

Explanation.—For the purposes of sub-clauses (i) and (ii), the fund does not include any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion, as the case may be, is regulated by the law in force of any country outside India or it would not be in the interest of the insurer to apply the provisions of this section;

(b) in the case of any other insurer carrying on life insurance business—

(i) all his funds in India, if he carries on no other class of insurance business;

(ii) all the funds in India appertaining to his life insurance business if he carries on some other class of insurance business also; but does not include any fund or portion thereof in respect of which the Authority is satisfied that such fund or portion thereof, as the case may be, is regulated by the law of any country outside India or in respect of which the Authority is satisfied that it would not be in the interest of the insurer to apply the provisions of this section.

27B. (1) All assets of an insurer carrying on general insurance business shall, subject to such conditions, if any, as may be prescribed, be deemed to be assets invested or kept invested in approved investments specified in section 27.

Provisions regarding investments of assets of insurer carrying general insurance business.

(2) All assets shall (except for a part thereof not exceeding one-tenth of the total assets in value which may subject to such conditions and restrictions as may be prescribed, be offered as security for any loan taken for purposes of any investment or for payment of claims, or which may be kept as security deposit with the banks for acceptance of policies) be held free of any encumbrance, charge, hypothecation or lien.

(3) Without prejudice to the powers conferred on the Authority by sub-section (5) of section 27A nothing contained in this section shall be deemed to require any insurer to realise any investment made in conformity with the provisions of sub-section (1) of section 27 after the commencement of the Insurance (Amendment) Act, 1968, which, after the making thereof, has ceased to be an approved investment within the meaning of this section.

27C. An insurer may invest not more than five per cent. in aggregate of his controlled fund or assets as referred to in sub-section (2) of section 27 in the companies

Investment by insurer in certain cases.

belonging to the promoters, subject to such conditions as may be specified by the regulations.

Manner and
condition of
investment.

27D. (1) Without prejudice to anything contained in this section, the Authority may, in the interests of the policyholders, specify by the regulations, the time, manner and other conditions of investment of assets to be held by an insurer for the purposes of this Act.

(2) The Authority may give specific directions for the time, manner and other conditions subject to which the funds of policyholders shall be invested in the infrastructure and social sector as may be specified by the regulations and such regulations shall apply uniformly to all the insurers carrying on the business of life insurance, general insurance, or health insurance or re-insurance in India on or after the commencement of the Insurance Regulatory and Development Authority Act, 1999.

41 of 1999.

(3) The Authority may, after taking into account the nature of business and to protect the interests of the policyholders, issue to an insurer the directions relating to the time, manner and other conditions of investment of assets to be held by him:

Provided that no direction under this sub-section shall be issued unless the insurer concerned has been given a reasonable opportunity of being heard.

Prohibition
for
investment
of funds
outside India.

27E. No insurer shall directly or indirectly invest outside India the funds of the policyholders."

Substitution of
new section
for section
28, section
28A and
section 28B.

27. For section 28, section 28A and section 28B of the Insurance Act, the following section shall be substituted, namely:—

Statement
and return of
investment of
assets.

"28. Every insurer shall submit to the Authority returns giving details of investments made, in such form, time and manner including its authentication as may be specified by the regulations."

Substitution
of new
section for
section 29.

28. For section 29 of the Insurance Act, the following section shall be substituted, namely:—

Prohibition of
loans.

"29. (1) No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security or otherwise, except loans on life insurance policies issued by him within their surrender value, to any director, manager, actuary, auditor or officer of the insurer, if a company or to any other company or firm in which any such director, manager, actuary or officer holds the position of a director, manager, actuary, officer or partner:

Provided that nothing contained in this sub-section shall apply to such loans, made by an insurer to a banking company, as may be specified by the Authority:

Provided further that nothing in this section shall prohibit a company from granting such loans or advances to a subsidiary company or to any other company of which the company granting the loan or advance is a subsidiary company if the previous approval of the Authority is obtained for such loan or advance.

(2) The provisions of section 185 of the Companies Act, 2013 shall not apply to a loan granted to a director of an insurer being a company, if the loan is one granted on the security of a policy on which the insurer bears the risk and the policy was issued to the director on his own life, and the loan is within the surrender value of the policy.

18 of 2013.

(3) Subject to the provisions of sub-section (1), no insurer shall grant—

(a) any loans or temporary advances either on hypothecation of property or on personal security or otherwise, except such loans as may be specified by the regulations including the loans sanctioned as part of their salary package to the full-time employees of the insurer as per the scheme duly approved by its Board of Directors;

(b) temporary advances to any insurance agent to facilitate the carrying out of his functions as such except in cases where such advances do not exceed in the aggregate the renewal commission earned by him during the immediately preceding year.

(4) Where any event occurs giving rise to circumstances, the existence of which at the time of grant of any subsisting loan or advance would have made such grant a contravention of this section, such loan or advance shall, notwithstanding anything in any contract to the contrary, be repaid within three months from the occurrence of such event.

(5) In case of default in complying with the provisions of sub-section (4), the director, manager, auditor, actuary, officer or insurance agent concerned shall, without prejudice to any other penalty which he may incur, cease to hold office under, or to act for, the insurer granting the loan on the expiry of three months."

29. For section 30 of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 30.

"30. If by reason of a contravention of any of the provisions of section 27, 27A, 27B, 27C, 27D or section 29, any loss is sustained by the insurer or by the policyholders, every director, manager or officer who is knowingly a party to such contravention shall, without prejudice to any other penalty to which he may be liable under this Act, be jointly and severally liable to make good the amount of such loss."

Liability of directors, etc., for loss due to contravention of section 27, 27A, 27B, 27C, 27D or section 29.

30. In section 31 of the Insurance Act, for sub-section (I), the following sub-section shall be substituted, namely:—

Amendment of section 31.

"(I) None of the assets in India of any insurer shall, except in so far as assets are required to be vested in trustees under sub-section (7) of section 27, be kept otherwise than in the name of a public officer approved by the Authority, or in the corporate name of the undertaking, if a company or an insurance co-operative society, as the case may be."

31. In section 31A of the Insurance Act,—

Amendment of section 31A.

(a) in sub-section (I), in clause (c)—

(I) for sub-clauses (i) and (ii) to the proviso, the following sub-clause shall be substituted, namely:—

"(i) the payment of commission to an insurance agent, in respect of insurance business procured by or through him;;

(II) clause (iii) to the proviso shall be omitted;

(b) in sub-section (3), for the words, figures and letter "or in section 86B of the Indian Companies Act, 1913", the words "or in any other law for the time being in force" shall be substituted.

7 of 1913.

32. For section 31B of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 31B.

"31B. No insurer shall in respect of insurance business transacted by him, shall pay to any person by way of remuneration, whether by way of commission or otherwise in excess of such sum as may be specified by the regulations."

Power to restrict payment of excessive remuneration.

Omission of section 32.

33. Section 32 of the Insurance Act shall be omitted.

Amendment of section 32A.

34. In section 32A of the Insurance Act,—

(i) in sub-section (1), the words, brackets, letter and figures "specified in sub-clause (b) of clause (9) of section 2 and," shall be omitted;

(ii) sub-sections (2) and (3) shall be omitted.

Amendment of section 32B.

35. In section 32B of the Insurance Act, for the words "rural or social sector", the words "rural and social sectors" shall be substituted.

Insertion of new section 32D.

36. After section 32C of the Insurance Act, the following section shall be inserted, namely:—

"32D. Every insurer carrying on general insurance business shall, after the commencement of the Insurance Laws (Amendment) Act, 2015, underwrite such minimum percentage of insurance business in third party risks of motor vehicles as may be specified by the regulations:

Provided that the Authority may, by regulations, exempt any insurer who is primarily engaged in the business of health, re-insurance, agriculture, export credit guarantee, from the application of this section."

Obligation of insurer in respect of insurance business in third party risks of motor vehicles.

Substitution of new section for section 33.

37. For section 33 of the Insurance Act, the following section shall be substituted, namely:—

"33. (1) The Authority may, at any time, if it considers expedient to do so by order in writing, direct any person (herein referred to as "Investigating Officer") specified in the order to investigate the affairs of any insurer or intermediary or insurance intermediary, as the case may be, and to report to the Authority on any investigation made by such Investigating Officer:

Provided that the Investigating Officer may, wherever necessary, employ any auditor or actuary or both for the purpose of assisting him in any investigation under this section.

(2) Notwithstanding anything to the contrary contained in section 210 of the Companies Act, 2013, the Investigating Officer may, at any time, and shall, on being directed so to do by the Authority, cause an inspection to be made by one or more of his officers of the books of account of any insurer or intermediary or insurance intermediary, as the case may be, and the Investigating Officer shall supply to the insurer or intermediary or insurance intermediary, as the case may be, a copy of the report on such inspection.

(3) It shall be the duty of every manager, managing director or other officer of the insurer including a service provider, contractor of an insurer where services are outsourced by the insurer, or intermediary or insurance intermediary, as the case may be, to produce before the Investigating Officer directed to make the investigation under sub-section (1), or inspection under sub-section (2), all such books of account, registers, other documents and the database in his custody or power and to furnish him with any statement and information relating to the affairs of the insurer or intermediary or insurance intermediary, as the case may be, as the Investigating Officer may require of him within such time as the said Investigating Officer may specify.

(4) Any Investigating Officer, directed to make an investigation under sub-section (1), or inspection under sub-section (2), may examine on oath, any manager, managing director or other officer of the insurer including a service provider or contractor where the services are outsourced by the insurer or intermediary or insurance intermediary, as the case may be, in relation to his business.

(5) The Investigating Officer shall, if he has been directed by the Authority to cause an inspection to be made, make a report to the Authority on such inspection.

Power of investigation and inspection by Authority.

(6) On receipt of any report under sub-section (1) or sub-section (5), the Authority may, after giving such opportunity to the insurer or intermediary or insurance intermediary, as the case may be, to make a representation in connection with the report as, in the opinion of the Authority, seems reasonable, by order in writing, —

(a) require the insurer, to take such action in respect of any matter arising out of the report as the Authority may think fit; or

(b) cancel the registration of the insurer or intermediary or insurance intermediary, as the case may be; or

(c) direct any person to apply to the court for the winding up of the insurer or intermediary or insurance intermediary, as the case may be, if it is a company, whether the registration of the insurer or intermediary or insurance intermediary, as the case may be, has been cancelled under clause (b) or not.

(7) The Authority may by the regulations made by it specify the minimum information to be maintained by insurers or intermediary or insurance intermediary, as the case may be, in their books, the manner in which such information shall be maintained, the checks and other verifications to be adopted by insurers or intermediary or insurance intermediary, as the case may be, in that connection and all other matters incidental thereto as are, in its opinion, necessary to enable the Investigating Officer to discharge satisfactorily his functions under this section.

Explanation.—For the purposes of this section, the expression "insurer" shall include in the case of an insurer incorporated in India—

(a) all its subsidiaries formed for the purpose of carrying on the business of insurance exclusively outside India; and

(b) all its branches whether situated in India or outside India.

(8) Any insurer or intermediary or insurance intermediary aggrieved by any order made under this section may prefer an appeal to the Securities Appellate Tribunal.

(9) All expenses of, and incidental to, any investigation made under this section shall be defrayed by the insurer or intermediary or insurance intermediary, as the case may be, shall have priority over the debts due from the insurer and shall be recoverable as an arrear of land revenue."

38. In section 34B of the Insurance Act, for sub-section (4), the following sub-section shall be substituted, namely:—

Amendment
of section
34B.

"(4) If any person in respect of whom an order is made by the Authority under sub-section (1) or under the proviso to sub-section (2), contravenes the provisions of this section, he shall be liable to a penalty of one lakh rupees for each day during which such contravention continues or one crore rupees, whichever is less."

39. In section 34C of the Insurance Act, for sub-section (1), the following sub-section shall be substituted, namely:—

Amendment
of section
34C.

"(1) If the Authority is of opinion that in the public interest or in the interest of an insurer or his policyholders it is necessary so to do, it may, from time to time, by order in writing, appoint, in consultation with the Central Government with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the insurer:

Provided that the number of additional directors so appointed shall not, at any time, exceed five or one-third of the maximum strength fixed for the Board by the articles of association of the insurer, whichever is less."

Omission of section 34G.

40. Section 34G of the Insurance Act shall be omitted.

Amendment of section 34H.

41. In section 34H of the Insurance Act,—

(i) in sub-section (1), for the words "an officer authorised by the Authority", the words "a Deputy Director or an equivalent officer" shall be substituted;

(ii) in sub-sections (7) and (8), for the words "Central Government", the words "Securities Appellate Tribunal" shall be substituted.

Amendment of section 35.

42. In section 35 of the Insurance Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) Notwithstanding anything contained in any other law for the time being in force, no insurance business of an insurer shall be transferred to or amalgamated with the insurance business of any other insurer except in accordance with a scheme prepared under this section and approved by the Authority.";

(ii) in sub-section (3), for clauses (b) and (c), the following clauses shall be substituted, namely :—

"(b) balance sheets in respect of the insurance business of each of the insurers concerned in such amalgamation or transfer, prepared in such forms as may be specified by the regulations;

(c) actuarial reports and abstracts in respect of the life insurance business of each of the insurers so concerned, prepared in conformity with the regulations specified in this regard.".

Substitution of new section for section 36.
Sanction of amalgamation and transfer by Authority.

43. For section 36 of the Insurance Act, the following section shall be substituted, namely:—

"36. When any application under sub-section (3) of section 35 is made to the Authority, the Authority shall cause, a notice of the application to be given to the holders of any kind of policy of insurer concerned alongwith statement of the nature and terms of the amalgamation or transfer, as the case may be, to be published in such manner and for such period as it may direct, and, after hearing the directors and considering the objections of the policyholders and any other persons whom it considers entitled to be heard, may approve the arrangement, and shall make such consequential orders as are necessary to give effect to the arrangement.".

Amendment of section 37A.

44. In section 37A of the Insurance Act, for sub-section (4), the following sub-sections shall be substituted, namely:—

"(4) The scheme shall thereafter be placed before the Central Government for its sanction and the Central Government may sanction the scheme without any modification or with such modifications as it may consider necessary, and the scheme as sanctioned by the Central Government shall come into force on such date as the Central Government may notify in this behalf in the Official Gazette:

Provided that different dates may be specified for different provisions of the scheme.

(4A) Every policyholder or shareholder or member of each of the insurers, before amalgamation, shall have the same interest in, or rights against the insurer resulting from amalgamation as he had in the company of which he was originally a policyholder or shareholder or member:

Provided that where the interests or rights of any shareholder or member are less than his interest in, or rights against, the original insurer, he shall be entitled to compensation, which shall be assessed by the Authority in such manner as may be specified by the regulations.

(4B) The compensation so assessed shall be paid to the shareholder or member by the insurance company resulting from such amalgamation.

(4C) Any member or shareholder aggrieved by the assessment of compensation made by the Authority under sub-section (4A) may within thirty days from the publication of such assessment prefer an appeal to the Securities Appellate Tribunal."

45. For sections 38, 39 and 40 of the Insurance Act, the following sections shall be substituted, namely:—

Substitution of new sections for sections 38, 39 and 40.

"38. (1) A transfer or assignment of a policy of insurance, wholly or in part, whether with or without consideration, may be made only by an endorsement upon the policy itself or by a separate instrument, signed in either case by the transferor or by the assignor or his duly authorised agent and attested by at least one witness, specifically setting forth the fact of transfer or assignment and the reasons thereof, the antecedents of the assignee and the terms on which the assignment is made.

Assignment and transfer of insurance policies.

(2) An insurer may, accept the transfer or assignment, or decline to act upon any endorsement made under sub-section (1), where it has sufficient reason to believe that such transfer or assignment is not *bona fide* or is not in the interest of the policyholder or in public interest or is for the purpose of trading of insurance policy.

(3) The insurer shall, before refusing to act upon the endorsement, record in writing the reasons for such refusal and communicate the same to the policyholder not later than thirty days from the date of the policyholder giving notice of such transfer or assignment.

(4) Any person aggrieved by the decision of an insurer to decline to act upon such transfer or assignment may within a period of thirty days from the date of receipt of the communication from the insurer containing reasons for such refusal, prefer a claim to the Authority.

(5) Subject to the provisions in sub-section (2), the transfer or assignment shall be complete and effectual upon the execution of such endorsement or instrument duly attested but except, where the transfer or assignment is in favour of the insurer, shall not be operative as against an insurer, and shall not confer upon the transferee or assignee, or his legal representative, any right to sue for the amount of such policy or the moneys secured thereby until a notice in writing of the transfer or assignment and either the said endorsement or instrument itself or a copy thereof certified to be correct by both transferor and transferee or their duly authorised agents have been delivered to the insurer:

Provided that where the insurer maintains one or more places of business in India, such notice shall be delivered only at the place where the policy is being serviced.

(6) The date on which the notice referred to in sub-section (5) is delivered to the insurer shall regulate the priority of all claims under a transfer or assignment as between persons interested in the policy; and where there is more than one instrument of transfer or assignment the priority of the claims under such instruments shall be governed by the order in which the notices referred to in sub-section (5) are delivered:

Provided that if any dispute as to priority of payment arises as between assignees, the dispute shall be referred to the Authority.

(7) Upon the receipt of the notice referred to in sub-section (5), the insurer shall record the fact of such transfer or assignment together with the date thereof and the name of the transferee or the assignee and shall, on the request of the person by whom the notice was given, or of the transferee or assignee, on payment of such fee as may be specified by the regulations, grant a written acknowledgement of the receipt of such notice; and any such acknowledgement shall be conclusive evidence against the insurer that he has duly received the notice to which such acknowledgement relates.

(8) Subject to the terms and conditions of the transfer or assignment, the insurer shall, from the date of the receipt of the notice referred to in sub-section (5), recognise the transferee or assignee named in the notice as the absolute transferee or assignee entitled to benefit under the policy, and such person shall be subject to all liabilities and equities to which the transferor or assignor was subject at the date of the transfer or assignment and may institute any proceedings in relation to the policy, obtain a loan under the policy or surrender the policy without obtaining the consent of the transferor or assignor or making him a party to such proceedings.

Explanation.—Except where the endorsement referred to in sub-section (1) expressly indicates that the assignment or transfer is conditional in terms of sub-section (10) hereunder, every assignment or transfer shall be deemed to be an absolute assignment or transfer and the assignee or transferee, as the case may be, shall be deemed to be the absolute assignee or transferee respectively.

(9) Any rights and remedies of an assignee or transferee of a policy of life insurance under an assignment or transfer effected prior to the commencement of the Insurance Laws (Amendment) Act, 2015 shall not be affected by the provisions of this section.

(10) Notwithstanding any law or custom having the force of law to the contrary, an assignment in favour of a person made upon the condition that—

(a) the proceeds under the policy shall become payable to the policyholder or the nominee or nominees in the event of either the assignee or transferee predeceasing the insured; or

(b) the insured surviving the term of the policy, shall be valid:

Provided that a conditional assignee shall not be entitled to obtain a loan on the policy or surrender a policy.

(11) In the case of the partial assignment or transfer of a policy of insurance under sub-section (1), the liability of the insurer shall be limited to the amount secured by partial assignment or transfer and such policyholder shall not be entitled to further assign or transfer the residual amount payable under the same policy.

39. (1) The holder of a policy of life insurance on his own life may, when effecting the policy or at any time before the policy matures for payment, nominate the person or persons to whom the money secured by the policy shall be paid in the event of his death:

Provided that, where any nominee is a minor, it shall be lawful for the policyholder to appoint any person in the manner laid down by the insurer, to receive the money secured by the policy in the event of his death during the minority of the nominee.

(2) Any such nomination in order to be effectual shall, unless it is incorporated in the text of the policy itself, be made by an endorsement on the policy communicated to the insurer and registered by him in the records relating to the policy and any such nomination may at any time before the policy matures for payment be cancelled or changed by an endorsement or a further endorsement or a will, as the case may be, but unless notice in writing of any such cancellation or change has been delivered to the insurer, the insurer shall not be liable for any payment under the policy made *bona fide* by him to a nominee mentioned in the text of the policy or registered in records of the insurer.

(3) The insurer shall furnish to the policyholder a written acknowledgement of having registered a nomination or a cancellation or change thereof, and may charge such fee as may be specified by regulations for registering such cancellation or change.

(4) A transfer or assignment of a policy made in accordance with section 38 shall automatically cancel a nomination:

Nomination
by
policyholder.

Provided that the assignment of a policy to the insurer who bears the risk on the policy at the time of the assignment, in consideration of a loan granted by that insurer on the security of the policy within its surrender value, or its reassignment on repayment of the loan shall not cancel a nomination, but shall affect the rights of the nominee only to the extent of the insurer's interest in the policy:

Provided further that the transfer or assignment of a policy, whether wholly or in part, in consideration of a loan advanced by the transferee or assignee to the policyholder, shall not cancel the nomination but shall affect the rights of the nominee only to the extent of the interest of the transferee or assignee, as the case may be, in the policy:

Provided also that the nomination, which has been automatically cancelled consequent upon the transfer or assignment, the same nomination shall stand automatically revived when the policy is reassigned by the assignee or retransferred by the transferee in favour of the policyholder on repayment of loan other than on a security of policy to the insurer.

(5) Where the policy matures for payment during the lifetime of the person whose life is insured or where the nominee or, if there are more nominees than one, all the nominees die before the policy matures for payment, the amount secured by the policy shall be payable to the policyholder or his heirs or legal representatives or the holder of a succession certificate, as the case may be.

(6) Where the nominee or if there are more nominees than one, a nominee or nominees survive the person whose life is insured, the amount secured by the policy shall be payable to such survivor or survivors.

(7) Subject to the other provisions of this section, where the holder of a policy of insurance on his own life nominates his parents, or his spouse, or his children, or his spouse and children, or any of them, the nominee or nominees shall be beneficially entitled to the amount payable by the insurer to him or them under sub-section (6) unless it is proved that the holder of the policy, having regard to the nature of his title to the policy, could not have conferred any such beneficial title on the nominee.

(8) Subject as aforesaid, where the nominee, or if there are more nominees than one, a nominee or nominees, to whom sub-section (7) applies, die after the person whose life is insured but before the amount secured by the policy is paid, the amount secured by the policy, or so much of the amount secured by the policy as represents the share of the nominee or nominees so dying (as the case may be), shall be payable to the heirs or legal representatives of the nominee or nominees or the holder of a succession certificate, as the case may be, and they shall be beneficially entitled to such amount.

(9) Nothing in sub-sections (7) and (8) shall operate to destroy or impede the right of any creditor to be paid out of the proceeds of any policy of life insurance.

(10) The provisions of sub-sections (7) and (8) shall apply to all policies of life insurance maturing for payment after the commencement of the Insurance Laws (Amendment) Act, 2015.

(11) Where a policyholder dies after the maturity of the policy but the proceeds and benefit of his policy has not been made to him because of his death, in such a case, his nominee shall be entitled to the proceeds and benefit of his policy.

(12) The provisions of this section shall not apply to any policy of life insurance to which section 6 of the Married Women's Property Act, 1874, applies or has at any time applied:

Provided that where a nomination made whether before or after the commencement of the Insurance Laws (Amendment) Act, 2015, in favour of the wife of the person who has insured his life or of his wife and children or any of them is expressed, whether or not on the face of the policy, as being made under this section, the said section 6 shall be deemed not to apply or not to have applied to the policy.

Prohibition of payment by way of commission or otherwise for procuring business.

40. (1) No person shall, pay or contract to pay any remuneration or reward, whether by way of commission or otherwise for soliciting or procuring insurance business in India to any person except an insurance agent or an intermediary or insurance intermediary in such manner as may be specified by the regulations.

(2) No insurance agent or intermediary or insurance intermediary shall receive or contract to receive commission or remuneration in any form in respect of policies issued in India, by an insurer in any form in respect of policies issued in India, by an insurer except in accordance with the regulations specified in this regard:

Provided that the Authority, while making regulations under sub-sections (1) and (2), shall take into consideration the nature and tenure of the policy and in particular the interest of the agents and other intermediaries concerned.

(3) Without prejudice to the provisions of section 102 in respect of a contravention of any of the provisions of the preceding sub-sections or the regulations framed in this regard, by an insurer, any insurance agent or intermediary or insurance intermediary who contravenes the said provisions shall be liable to a penalty which may extend to one lakh rupees .".

Omission of section 40A.

46. Section 40A of the Insurance Act shall be omitted.

Substitution of new sections for sections 40B and 40C.

47. For sections 40B and 40C of the Insurance Act, the following sections shall be substituted, namely:—

Limitation of expenses of management in life insurance business.

"40B. No insurer shall, in respect of insurance business transacted by him in India, spend as expenses of management in any financial year any amount exceeding the amount as may be specified by the regulations made under this Act;

Limitation of expenses of management in general, health insurance and re-insurance business.

40C. Every insurer transacting insurance business in India shall furnish to the Authority, the details of expenses of management in such manner and form as may be specified by the regulations made under this Act."

Amendment of section 41.

48. In section 41 of the Insurance Act, for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) Any person making default in complying with the provisions of this section shall be liable for a penalty which may extend to ten lakh rupees."

Substitution of new section for section 42.

49. For section 42 of the Insurance Act, the following section shall be substituted, namely:—

Appointment of insurance agents.

"42. (1) An insurer may appoint any person to act as insurance agent for the purpose of soliciting and procuring insurance business:

Provided that such person does not suffer from any of the disqualifications mentioned in sub-section (3).

(2) No person shall act as an insurance agent for more than one life insurer, one general insurer, one health insurer and one of each of the other mono-line insurers:

Provided that the Authority shall, while framing regulations, ensure that no conflict of interest is allowed to arise for any agent in representing two or more insurers for whom he may be an agent.

(3) The disqualifications referred to in the proviso to sub-section (1) shall be the following:—

- (a) that the person is a minor;
- (b) that he is found to be of unsound mind by a court of competent jurisdiction;
- (c) that he has been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or an abetment of or attempt to commit any such offence by a court of competent jurisdiction:

Provided that where at least five years have elapsed since the completion of the sentence imposed on any person in respect of any such offence, the Authority shall ordinarily declare in respect of such person that his conviction shall cease to operate as a disqualification under this clause;

(d) that in the course of any judicial proceeding relating to any policy of insurance or the winding up of an insurer or in the course of an investigation of the affairs of an insurer it has been found that he has been guilty of or has knowingly participated in or connived at any fraud, dishonesty or misrepresentation against an insurer or insured;

(e) that in the case of an individual, who does not possess the requisite qualifications or practical training or passed the examination, as may be specified by the regulations;

(f) that in the case of a company or firm making, a director or a partner or one or more of its officers or other employees so designated by it and in the case of any other person the chief executive, by whatever name called, or one or more of his employees designated by him, do not possess the requisite qualifications or practical training and have not passed such an examination as required under clauses (e) and (g);

(g) that he has not passed such examination as may be specified by the regulations;

(h) that he has violated the code of conduct as may be specified by the regulations.

(4) Any person who acts as an insurance agent in contravention of the provision of this Act, shall be liable to a penalty which may extend to ten thousand rupees and any insurer or any person acting on behalf of an insurer, who appoints any person as an insurance agent not permitted to act as such or transacts any insurance business in India through any such person shall be liable to penalty which may extend to one crore rupees.

(5) The insurer shall be responsible for all the acts and omissions of its agents including violation of code of conduct specified under clause (h) of sub-section (3) and liable to a penalty which may extend to one crore rupees."

50. For sections 42A, 42B and 42C of the Insurance Act, the following sections shall be substituted, namely:—

'42A. (1) No insurer shall, on or after the commencement of the Insurance Laws (Amendment) Act, 2015, appoint any principal agent, chief agent, and special agent and transact any insurance business in India through them.

(2) No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance policy through multilevel marketing scheme.

(3) The Authority may, through an officer authorised in this behalf, make a complaint to the appropriate police authorities against the entity or persons involved in the multilevel marketing scheme.

Substitution of new section for sections 42A, 42B and 42C.

Prohibition of insurance business through principal agent, special agent and multilevel marketing.

Explanation.—For the purpose of this section "multilevel marketing scheme" means any scheme or programme or arrangement or plan (by whatever name called) for the purpose of soliciting and procuring insurance business through persons not authorised for the said purpose with or without consideration of whole or part of commission or remuneration earned through such solicitation and procurement and includes enrolment of persons into a multilevel chain for the said purpose either directly or indirectly.'

Amendment
of section
42D.

51. In section 42D of the Insurance Act,—

(i) for the words "licence" and "licence issued", wherever they occur, the words "registration" and "registration made", shall respectively be substituted;

(ii) in sub-section (1), in clause (a) of the proviso, for the word, brackets and figure "sub-section (4)", the word, brackets and figure "sub-section (3)" shall be substituted;

(iii) in sub-section (3),—

(a) after the words "directors or partners", the words "or one or more of its officers or other employees so designated by it and in the case of any other person, the chief executive by whatever name called, or one or more of his employees designated by him" shall be inserted;

(b) for the words, brackets, letters and figures "in clauses (b), (c), (d), (e) and (f) of sub-section (4) of section 42", the words, brackets, letters and figures "in clauses (b), (c), (d), (e) and (g) of sub-section (3) of section 42" shall be substituted;

(iv) for sub-sections (8) and (9), the following sub-sections, shall be substituted, namely:—

"(8) Any person who acts as an intermediary or an insurance intermediary without being registered under this section to act as such, shall be liable to a penalty which may extend to ten lakh rupees and any person who appoints as an intermediary or an insurance intermediary or any person not registered to act as such or transacts any insurance business in India through any such person, shall be liable to a penalty which may extend to one crore rupees.

(9) Where the person contravening sub-section (8) is a company or a firm, then, without prejudice to any other proceedings which may be taken against the company or firm, every director, manager, secretary or other officer of the company, and every partner of the firm who is knowingly a party to such contravention shall be liable to a penalty which may extend to ten lakh rupees."

Substitution
of new
section for
section 42E.

Condition for
intermediary
or insurance
intermediary.

Substitution
of new
section for
section 43.

Record of
insurance
agents.

52. For section 42E of the Insurance Act, the following section shall be substituted, namely:—

"42E. Without prejudice to the provisions contained in this Act, the Authority may, by regulations made in this behalf, specify the requirements of capital, form of business and other conditions, to act as an intermediary or an insurance intermediary."

53. For section 43 of the Insurance Act, the following section shall be substituted, namely:—

"43. (1) Every insurer and every person who, acting on behalf of an insurer employs insurance agents shall maintain a record showing the name and address of every insurance agent appointed by him and the date on which his appointment began and the date, if any, on which his appointment ceased.

(2) The record prepared by the insurer under sub-section (1), shall be maintained as long as the insurance agent is in service and for a period of five years after the cessation of appointment."

54. Section 44 of the Insurance Act shall be omitted.

Omission of section 44.

55. For sections 44A and 45 of the Insurance Act, the following sections shall be substituted, namely:—

Substitution of new sections for sections 44A and 45.

'44A. For the purposes of ensuring compliance with the provisions of sections 40, 40B and 40C, the Authority may, by notice—

Power to call for information.

(a) require from an insurer such information, certified if so required by an auditor or actuary, as it may consider necessary;

(b) require an insurer to submit for its examination at the principal place of business of the insurer in India, any books of account, register or other document, or to supply any statement which may be specified in the notice;

(c) examine any officer of an insurer on oath, in relation to any such information, book, register, document or statement and the insurer, shall comply with any such requirement within such time as may be specified in the notice.

45. (1) No policy of life insurance shall be called in question on any ground whatsoever after the expiry of three years from the date of the policy, *i.e.*, from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later.

Policy not be called in question on ground of misstatement after three years.

(2) A policy of life insurance may be called in question at any time within three years from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later, on the ground of fraud:

Provided that the insurer shall have to communicate in writing to the insured or the legal representatives or nominees or assignees of the insured the grounds and materials on which such decision is based.

Explanation I.—For the purposes of this sub-section, the expression "fraud" means any of the following acts committed by the insured or by his agent, with intent to deceive the insurer or to induce the insurer to issue a life insurance policy:—

(a) the suggestion, as a fact of that which is not true and which the insured does not believe to be true;

(b) the active concealment of a fact by the insured having knowledge or belief of the fact;

(c) any other act fitted to deceive; and

(d) any such act or omission as the law specially declares to be fraudulent.

Explanation II.—Mere silence as to facts likely to affect the assessment of the risk by the insurer is not fraud, unless the circumstances of the case are such that regard being had to them, it is the duty of the insured or his agent keeping silence, to speak, or unless his silence is, in itself, equivalent to speak.

(3) Notwithstanding anything contained in sub-section (2), no insurer shall repudiate a life insurance policy on the ground of fraud if the insured can prove that the misstatement of or suppression of a material fact was true to the best of his knowledge and belief or that there was no deliberate intention to suppress the fact or that such misstatement of or suppression of a material fact are within the knowledge of the insurer:

Provided that in case of fraud, the onus of disproving lies upon the beneficiaries, in case the policyholder is not alive.

Explanation.—A person who solicits and negotiates a contract of insurance shall be deemed for the purpose of the formation of the contract, to be the agent of the insurer.

(4) A policy of life insurance may be called in question at any time within three years from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later, on the ground that any statement of or suppression of a fact material to the expectancy of the life of the insured was incorrectly made in the proposal or other document on the basis of which the policy was issued or revived or rider issued:

Provided that the insurer shall have to communicate in writing to the insured or the legal representatives or nominees or assignees of the insured the grounds and materials on which such decision to repudiate the policy of life insurance is based:

Provided further that in case of repudiation of the policy on the ground of misstatement or suppression of a material fact, and not on the ground of fraud, the premiums collected on the policy till the date of repudiation shall be paid to the insured or the legal representatives or nominees or assignees of the insured within a period of ninety days from the date of such repudiation.

Explanation.—For the purposes of this sub-section, the misstatement of or suppression of fact shall not be considered material unless it has a direct bearing on the risk undertaken by the insurer, the onus is on the insurer to show that had the insurer been aware of the said fact no life insurance policy would have been issued to the insured.

(5) Nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life insured was incorrectly stated in the proposal.'

56. Sections 47A and 48 of the Insurance Act shall be omitted.

57. For section 48A of the Insurance Act, the following section shall be substituted, namely:—

"48A. No insurance agent or intermediary or insurance intermediary shall be eligible to be or remain a director in insurance company:

Provided that any director holding office at the commencement of the Insurance Laws (Amendment) Act, 2015 shall not become ineligible to remain a director by reason of this section until the expiry of six months from the date of commencement of the said Act:

Provided further that the Authority may permit an agent or intermediary or insurance intermediary to be on the Board of an insurance company subject to such conditions or restrictions as it may impose to protect the interest of policyholders or to avoid conflict of interest."

58. In section 49 of the Insurance Act, in sub-section (1),—

(i) the words, brackets, letters and figures "being an insurer specified in sub-clause (a) (ii) or sub-clause (b) of clause (9) of section 2" shall be omitted;

(ii) the words and figures "or to the Central Government under section 11 of the Indian Life Insurance Companies Act, 1912" shall be omitted.

Omission of sections 47A and 48.

Substitution of new section for section 48A.

Insurance agent or intermediary or insurance intermediary not to be director in insurance company.

Amendment of section 49.

59. For sections 52 and 52A of the Insurance Act, the following sections shall be substituted, namely:—

Substitution of new sections for sections 52 and 52A.

"52. No insurer shall commence any business upon the dividing principle, that is to say, on the principle that the benefit secured by a policy is not fixed but depends either wholly or partly on the result of a distribution of certain sums amongst policies becoming claims within certain time-limits, or on the principle that the premiums payable by a policyholder depend wholly or partly on the number of policies becoming claims within certain time-limits:

Prohibition of business on dividing principle.

Provided that nothing in this section shall be deemed to prevent an insurer from allocating bonuses to holders of policies of life insurance as a result of a periodical actuarial valuation either as reversionary additions to the sums insured or as immediate cash bonuses or otherwise.

52A. (1) If at any time the Authority has reason to believe that an insurer carrying on life insurance business is acting in a manner likely to be prejudicial to the interests of holders of life insurance policies, it may, after giving such opportunity to the insurer to be heard appoint an Administrator to manage the affairs of the insurer under the direction and control of the Authority.

When Administrator for management of insurance business may be appointed.

(2) The Administrator shall receive such remuneration as the Authority may direct and the Authority may at any time cancel the appointment and appoint some other person as Administrator."

60. In section 52BB of the Insurance Act,—

Amendment of section 52BB.

(a) in sub-section (2), for the words "the Central Government and the Central Government", the words "the Securities Appellate Tribunal and the Securities Appellate Tribunal" shall be substituted;

(b) in sub-section (3), for the words "Central Government", the words "Securities Appellate Tribunal" shall be substituted;

(c) in sub-section (10), in clause (a), the words "or the Central Government" shall be omitted.

61. For section 52D of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 52D.

"52D. If at any time, it appears to the Authority that the purpose of the order appointing the Administrator has been fulfilled or that, for any reason, it is undesirable that the order of appointment should remain in force, the Authority may cancel the order and thereupon the Administrator shall be divested of the management of the insurance business which shall, unless otherwise directed by the Authority, again vest in the person in whom it was vested immediately prior to the appointment of the Administrator or any other person appointed by the insurer in this behalf."

Termination of appointment of Administrator.

62. In section 52E of the Insurance Act, for the words "Central Government", the word "Authority" shall be substituted.

Amendment of section 52E.

63. In section 52F of the Insurance Act, for the words "punishable with imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both", the words "liable to penalty of rupees ten thousand each day during which such failure continues or rupees ten lakh, whichever is less" shall be substituted.

Amendment of section 52F.

64. In section 52G of the Insurance Act, in sub-section (2), the words "Central Government or" shall be omitted.

Amendment of section 52G.

Omission of sections 52H, 52-I, 52J, 52K, 52L, 52M and 52N.

65. Sections 52H, 52-I, 52J, 52K, 52L, 52M and 52N of the Insurance Act shall be omitted.

Amendment of section 53.

66. In section 53 of the Insurance Act,—

(a) in sub-section (1), the following *Explanation* shall be inserted at the end, namely:—

‘*Explanation.*—For the purpose of sections 53 to 61A, "Tribunal" means the National Company Law Tribunal constituted under sub-section (1) of section 408 of the Companies Act, 2013.’;

18 of 2013.

(b) in sub-section (2), in clause (b), sub-clause (i), shall be omitted.

Amendment of section 58.

67. In section 58 of the Insurance Act, for sub-section (4), the following sub-section shall be substituted, namely:—

"(4) An order of the Tribunal confirming a scheme under this section whereby the memorandum of a company is altered with respect to its objects shall as respects the alteration have effect as if it were an order confirmed under section 4 of the Companies Act, 2013, and the provisions of sections 7 and 17 of that Act shall apply accordingly."

18 of 2013.

Omission of section 59.

68. Section 59 of the Insurance Act shall be omitted.

Amendment of heading.

69. In PART II A of the Insurance Act, for the heading "Insurance Association of India, Councils of The Association and Committees Thereof" the following heading shall be substituted, namely:—

"Life Insurance Council and General Insurance Council and Committees Thereof."

Omission of sections 64A and 64B.

70. Sections 64A and 64B of the Insurance Act shall be omitted.

Substitution of new sections for sections 64C and 64D.

71. For sections 64C and 64D of the Insurance Act the following sections shall be substituted, namely:—

"64C. On and from the date of commencement of this Act,—

(a) the existing Life Insurance Council, a representative body of the insurers, who carry on the life insurance business in India; and

(b) the existing General Insurance Council, a representative body of insurers, who carry on general, health insurance business and re-insurance in India,

shall be deemed to have been constituted as the respective Councils under this Act.

Councils of Life Insurance and General Insurance.

Authorisation to represent in Councils.

64D. It shall be lawful for any member of the Life Insurance Council or the General Insurance Council to authorise any of its officer to act as the representative of such member at any meeting of the Council concerned."

72. For section 64F of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 64F. Executive Committees of the Life Insurance Council and the General Insurance Council.

"64F. (1) The Executive Committee of the Life Insurance Council shall consist of the following persons, namely:—

(a) four representatives of members of the Life Insurance Council elected in their individual capacity by the members in such manner as may be laid down in the bye-laws of the Council;

(b) an eminent person not connected with insurance business, nominated by the Authority;

(c) three persons to represent insurance agents, intermediaries and policyholders respectively as may be nominated by the Authority;

(d) one representative each from self-help groups and Insurance Co-operative Societies:

Provided that one of the representatives as mentioned in clause (a) shall be elected as the Chairperson of the Executive Committee of the Life Insurance Council.

(2) The Executive Committee of the General Insurance Council shall consist of the following persons, namely:—

(a) four representatives of members of the General Insurance Council elected in their individual capacity by the members in such manner as may be laid down in the bye-laws of the Council;

(b) an eminent person not connected with insurance business, nominated by the Authority; and

(c) four persons to represent insurance agents, third party administrators, surveyors and loss assessors and policyholders respectively as may be nominated by the Authority:

Provided that one of the representatives as mentioned in clause (a) shall be elected as the Chairperson of the Executive Committee of the General Insurance Council.

(3) If anybody of persons specified in sub-sections (1) and (2) fails to elect any of the members of the Executive Committees of the Life Insurance Council or the General Insurance Council, the Authority may nominate any person to fill the vacancy, and any person so nominated shall be deemed to be a member of the Executive Committee of the Life Insurance Council or the General Insurance Council, as the case may be, as if he had been duly elected thereto.

(4) Each of the said Executive Committees may make bye-laws for the transaction of any business at any meeting of the said Committee.

(5) The Life Insurance Council or the General Insurance Council may form such other committees consisting of such persons as it may think fit to discharge such functions as may be delegated thereto.

(6) The Secretary of the Executive Committee of the Life Insurance Council and of the Executive Committee of the General Insurance Council shall in each case be appointed by the Executive Committee concerned:

Provided that each Secretary appointed by the Executive Committee concerned shall exercise all such powers and do all such acts as may be authorised in this behalf by the Executive Committee concerned."

Amendment of section 64G.	73. In section 64G of the Insurance Act, in sub-section (2), for the words "by nomination by the Authority", the words "in such manner as may be laid down in the bye-laws of the Council concerned" shall be substituted.
Omission of section 64-I.	74. Section 64-I of the Insurance Act shall be omitted.
Amendment of section 64J.	75. In section 64J of the Insurance Act, for sub-section (2), the following sub-section shall be substituted, namely:— "(2) For the purpose of enabling it to effectively discharge its functions, the Executive Committee of the Life Insurance Council may collect such fees as may be laid down in the bye-laws made by the Council from the insurers carrying on life insurance business."
Amendment of section 64L.	76. In section 64L of the Insurance Act, for sub-section (2), the following sub-section shall be substituted, namely:— "(2) For the purpose of enabling it to effectively discharge its functions, the Executive Committee of the General Insurance Council may collect such fees as may be laid down in the bye-laws made by the Council from the insurers carrying on general insurance business."
Amendment of section 64N.	77. In section 64N of the Insurance Act, for the words "the Central Government may prescribe", the words "the Authority may specify" shall be substituted.
Amendment of section 64R.	78. In section 64R of the Insurance Act, in sub-section (1),— (a) for clause (c), the following clause shall be substituted, namely:— "(c) keep and maintain up-to-date, a copy of list of all insurers who are members of the either Council;"; (b) in clause (d), for the words "with the previous approval of the Authority make regulations for", the words "make bye-laws for" shall be substituted.
Omission of sections 64S and 64T.	79. Sections 64S and 64T of the Insurance Act shall be omitted.
Omission of sections 64U, 64UA, 64UB, 64UC, 64UD, 64UE, 64UF, 64UG, 64UH, 64U-I, 64UJ, 64UK and 64UL.	80. Sections 64U, 64UA, 64UB, 64UC, 64UD, 64UE, 64UF, 64UG, 64UH, 64U-I, 64UJ, 64UK and 64UL of the Insurance Act shall be omitted.
Insertion of new section 64ULA. Transitional provisions.	81. After section 64UL of the Insurance Act, the following section shall be inserted, namely:— "64ULA. (1) Notwithstanding anything contained in this Part, until the rates, advantage and terms and conditions laid down by the Advisory Committee under section 64UC are de-notified by the Authority with effect from such date as the Authority may by notification in the Official Gazette determine, and the rates, advantages and terms and conditions are decided by the insurer concerned, the rates, advantages and terms and conditions notified by the Advisory Committee shall continue to be in force and shall always be deemed to have been in force and any such rates, advantages and terms and conditions shall be binding on all the insurers. (2) The Authority shall, in consultation with the Central Government, prepare a scheme for the existing employees of the Tariff Advisory Committee on its dissolution, keeping in view the interests of such employees on such terms and conditions as it may, by order, determine."

82. For section 64UM of the Insurance Act, the following section shall be substituted, namely:—

Substitution
of new
section for
section
64UM.
Surveyors or
loss assessors.

‘64UM. (1) Save as otherwise provided in this section, no person shall act as a surveyor or loss assessor in respect of general insurance business after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015, unless he—

(a) possesses such academic qualifications as may be specified by the regulations made under this Act; and

(b) is a member of a professional body of surveyors and loss assessors, namely, the Indian Institute of Insurance Surveyors and Loss Assessors:

Provided that in the case of a firm or company, all the partners or directors or other persons, who may be called upon to make a survey or assess a loss reported, as the case may be, shall fulfil the requirements of clauses (a) and (b).

(2) Every surveyor and loss assessor shall comply with the code of conduct in respect of his duties, responsibilities and other professional requirements, as may be specified by the regulations made under the Act.

(3) Notwithstanding anything contained in the foregoing provisions, a class or class of persons acting as a licensed surveyor or loss assessor prior to the commencement of the Insurance Laws (Amendment) Act, 2015 shall continue to act as such for such period as may be specified by the regulations made under this Act:

Provided that the surveyor or loss assessor shall, within the period as may be notified by the Authority, satisfy the requirements of clause (a) and clause (b) of sub-section (1), failing which, the surveyor or loss assessor shall be automatically disqualified to act as a surveyor or loss assessor.

(4) No claim in respect of a loss which has occurred in India and requiring to be paid or settled in India equal to or exceeding an amount specified in the regulations by the Authority in value on any policy of insurance, arising or intimated to an insurer at any time after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015, shall, unless otherwise directed by the Authority, be admitted for payment or settled by the insurer unless he has obtained a report, on the loss that has occurred, from a person who holds a licence issued under this section to act as a surveyor or loss assessor (hereafter referred to as "approved surveyor or loss assessor"):

Provided that nothing in this sub-section shall be deemed to take away or abridge the right of the insurer to pay or settle any claim at any amount different from the amount assessed by the approved surveyor or loss assessor.

(5) The Authority may, at any time, in respect of any claim of the nature referred to in sub-section (4), call for an independent report from any other approved surveyor or loss assessor specified by him and such surveyor or loss assessor shall furnish such report to the Authority within such time as may be specified by the Authority or if no time limit has been specified by him within a reasonable time and the cost of, or incidental to, such report shall be borne by the insurer.

(6) The Authority may, on receipt of a report referred to in sub-section (5), issue such directions as it may consider necessary with regard to the settlement of the claim including any direction to settle a claim at a figure less than, or more than, that at which it is proposed to settle it or it was settled and the insurer shall be bound to comply with such directions:

Provided that where the Authority issues a direction for settling a claim at a figure lower than that at which it has already been settled, the insurer shall be deemed to comply with such direction if he satisfies the Authority that all reasonable steps, with due regard to the question whether the expenditure involved is not disproportionate to the amount required to be recovered, have been taken with due despatch by him:

Provided further that no direction for the payment of a lesser sum shall be made where the amount of the claim has already been paid and the Authority is of opinion that the recovery of the amount paid in excess would cause undue hardship to the insured:

Provided also that nothing in this section shall relieve the insurer from any liability, civil or criminal, to which he would have been subject but for the provisions of this sub-section.

(7) No insurer shall, after the expiry of a period of one year from the commencement of the Insurance Laws (Amendment) Act, 2015 pay to any person any fee or remuneration for surveying, verifying or reporting on a claim of loss under a policy of insurance unless the person making such survey, verification or report is an approved surveyor or loss assessor.

(8) Where, in the case of a claim of less than the amount specified in sub-section (4) in value on any policy of insurance it is not practicable for an insurer to employ an approved surveyor or loss assessor without incurring expenses disproportionate to the amount of the claim, the insurer may employ any other person (not being a person disqualified for the time being for being employed as a surveyor or loss assessor) for surveying such loss and may pay such reasonable fee or remuneration to the person so employed as he may think fit.

(9) The Authority may in respect of any claim of value of less than the amount specified in sub-section (4) on an insurance policy, if the claim has not been or is not proposed to be reported upon by a surveyor or loss assessor, direct that such claim shall be reported upon by an approved surveyor or loss assessor and where the Authority makes such direction, the provisions of sub-sections (5) and (6) shall apply in respect of such claim.

(10) Where, in relation to any class of claims, the Authority is satisfied that it is customary to entrust the work of survey or loss assessment to any person other than a licensed surveyor or loss assessor, or it is not practicable to make any survey or loss assessment, it may, by an order, exempt such class of claims from the operation of this section.’.

83. For sections 64V and 64VA of the Insurance Act, the following sections shall be substituted, namely:—

Substitution
of new
sections for
sections 64V
and 64VA.

Assets and
liabilities how
to be valued.

"64V. (1) For the purpose of ascertaining compliance with the provisions of section 64VA, assets shall be valued at value not exceeding their market or realisable value and certain assets may be excluded by the Authority in the manner as may be specified by the regulations made in this behalf.

(2) A proper value shall be placed on every item of liability of the insurer in the manner as may be specified by the regulations made in this behalf.

(3) Every insurer shall furnish to the Authority along with the returns required to be filed under this Act, a statement, certified by an Auditor, approved by the Authority, in respect of general insurance business or an actuary approved by the Authority in respect of life insurance business, as the case may be, of his assets and liabilities assessed in the manner required by this section as on the 31st day of March of each year within such time as may be specified by the regulations.

64VA. (1) Every insurer and re-insurer shall at all times maintain an excess of value of assets over the amount of liabilities of, not less than fifty per cent of the amount of minimum capital as stated under section 6 and arrived at in the manner specified by the regulations.

Sufficiency of assets.

(2) An insurer or re-insurer, as the case may be, who does not comply with sub-section (1), shall be deemed to be insolvent and may be wound-up by the court on an application made by the Authority.

(3) The Authority shall by way of regulation made for the purpose, specify a level of solvency margin known as control level of solvency on the breach of which the Authority shall act in accordance with the provisions of sub-section (4) without prejudice to taking of any other remedial measures as deemed fit:

Provided that if in respect of any insurer the Authority is satisfied that either by reason of an unfavourable claim experience or because of a sharp increase in the volume of new business, or for any other reason, compliance with the provisions of this sub-section shall cause undue hardship to the insurer, it may direct that for such period and subject to such conditions as it may specify, the provisions of this sub-section shall apply to that insurer with such modifications provided that such modifications shall not result in the control level of solvency being less than what is stipulated under sub-section (1).

(4) If, at any time, an insurer or re-insurer does not maintain the required control level of solvency margin, he shall, in accordance with the directions issued by the Authority, submit a financial plan to the Authority, indicating a plan of action to correct the deficiency within a specified period not exceeding six months.

(5) An insurer who has submitted a plan, as required under sub-section (4), the Authority shall propose modifications to the plan, if the Authority considers the same inadequate, and in such an eventuality, the Authority shall give directions, as may be deemed necessary, including direction in regard to transacting any new business, or, appointment of an administrator or both.

(6) An insurer or re-insurer, as the case may be, who does not comply with the provisions of sub-section (4) shall be deemed to have made default in complying with the requirements of this section.

(7) The Authority shall be entitled at any time to take such steps as it may consider necessary for the inspection or verification of the assets and liabilities of any insurer or re-insurer, or for securing the particulars necessary to establish that the requirements of this section have been complied with as on any date, and the insurer or re-insurer, as the case may be, shall comply with any requisition made in this behalf by the Authority, and in the event of any failure to do so within two months from the receipt of the requisition, the insurer or re-insurer, as the case may be, shall be deemed to have made default in complying with the requirements of this section.

(8) In applying the provisions of sub-section (1) to any insurer or re-insurer, as the case may be, who is a member of a group, the relevant amount for that insurer shall be an amount equal to that proportion of the relevant amount which that group, if considered as a single insurer, would have been required to maintain as the proportion of his share of the risk on each policy issued by the group bears to the total risk on that policy:

Provided that when a group of insurers ceases to be a group, every insurer in that group who continues to carry on any class of insurance business in India shall comply with the requirements of sub-section (1) as if he had not been an insurer in a group at any time:

Provided further that it shall be sufficient compliance of the provisions of the foregoing proviso if the insurer brings up the excess of the value of his assets over the amount of his liabilities to the required amount within a period of six months from the date of cessation of the group:

Provided also that the Authority may, on sufficient cause being shown, extend the said period of six months by such further periods as it may think fit, so, however that the total period may not in any case exceed one year.

(9) Every insurer shall furnish to the Authority return giving details of solvency margin in such form, time, manner including its authentication as may be specified by the regulations."

Substitution
of new
section for
section 64VC.

84. For section 64VC of the Insurance Act, the following section shall be substituted, namely:—

Restrictions
on opening of
new place of
business.

"64VC. No insurer shall, after the commencement of the Insurance (Amendment) Act, 1968, open a new place of business or close a place in India or outside India or change otherwise than within the same city, town or village, the location of an existing place of business situated in India or outside India, except in the manner as may be specified by the regulations."

62 of 1968.

Omission of
Part III and
Part IIIA.

85. PART III and PART IIIA of the Insurance Act shall be omitted.

Omission of
Part IV.

86. PART IV of the Insurance Act shall be omitted.

Amendment
of section
102.

87. In section 102 of the Insurance Act, for the words "not exceeding five lakh rupees for each such failure and punishable with fine", the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" shall be substituted.

Substitution of
new sections
for sections
103 and 104.

88. For sections 103 and 104 of the Insurance Act, the following sections shall be substituted, namely:—

Penalty for
carrying on
insurance
business in
contravention
of section 3.

"103. If a person carries on the business of insurance without obtaining a certificate of registration under section 3, he shall be liable to a penalty not exceeding rupees twenty-five crores and with imprisonment which may extend to ten years.

Penalty for
contravention
of sections
27, 27A, 27B,
27D and 27E.

104. If a person fails to comply with the provisions of section 27, section 27A, section 27B, section 27D and section 27E, he shall be liable to a penalty not exceeding twenty-five crore rupees."

Amendment
of section
105.

89. In section 105 of the Insurance Act, for the words "not exceeding two lakh rupees for each such failure", the words "not exceeding one crore rupees" shall be substituted.

90. For sections 105B and 105C of the Insurance Act, the following sections shall be substituted, namely :—

Substitution of new sections for sections 105B and 105C.

"105B. If an insurer fails to comply with the provisions of section 32B, section 32C and section 32D, he shall be liable to a penalty not exceeding twenty-five crore rupees.

Penalty for failure to comply with sections 32B, 32C and 32D.

105C.(1) For the purpose of adjudication under sub-section (2) of section 2CB, sub-section (4) of section 34B, sub-section (3) of section 40, sub-section (2) of section 41, sub-sections (4) and (5) of section 42, sub-sections (8) and (9) of section 42D, section 52F and section 105B, the Authority, shall appoint any officer not below the rank of a Joint Director or an equivalent officer to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard.

Power to adjudicate.

(2) Upon receipt of the inquiry report from the officer so appointed, the Authority, after giving an opportunity of being heard to the person concerned, may impose any penalty provided in sections aforesaid.

(3) While holding an inquiry, the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject matter of the inquiry and if on such inquiry, is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may recommend such penalty as he thinks fit in accordance with the provisions of any of those sections.

105D. While recommending the quantum of penalty under section 105C, the adjudicating officer and while imposing such penalty, the Authority shall have due regard to the following factors, namely:—

Factors to be taken into account by the adjudicating officer.

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to the policyholders as a result of the default; and

(c) the repetitive nature of default."

91. In section 106A of the Insurance Act, in sub-section (12),—

Amendment of section 106A.

(i) clauses (a), (b) and (f) shall be omitted;

(ii) in clause (d), the words "or a provident society" shall be omitted.

92. Sections 107 and 107A of the Insurance Act shall be omitted.

Omission of section 107 and 107A.

93. For section 109 of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 109.

"109. No court shall take cognizance of any offence punishable under this Act or any rules or any regulations made thereunder, save on a complaint made by an officer of the Authority or by any person authorised by it."

Cognizance of offence.

94. For section 110 of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 110.

Appeal to
Securities
Appellate
Tribunal.

"110. (1) Any person aggrieved—

(a) by an order of the Authority made on and after the commencement of the Insurance Laws (Amendment) Act, 2015, or under this Act, the rules or regulations made thereunder; or

(b) by an order made by the Authority by way of adjudication under this Act,

may prefer an appeal to the Securities Appellate Tribunal having jurisdiction in the matter.

(2) Every appeal made under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order made by the Authority is received by him and it shall be in such a form and be accompanied by such fees as may be prescribed:

Provided that the Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(3) On receipt of an appeal under sub-section (1), the Securities Appellate Tribunal may, after giving parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, conforming, modifying or setting aside the order appealed against.

(4) The Securities Appellate Tribunal shall make available copy of order made by it to the Authority and parties.

(5) The appeal filed before the Securities Appellate Tribunal under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of appeal.

(6) The procedure for filing and disposing of an appeal shall be such as may be prescribed.

(7) The provision contained in section 15U, section 15V, section 15W, section 15Y and section 15Z of the Securities and Exchange Board of India Act, 1992 shall apply to the appeals arising out of the provisions of this Act, as they apply to the appeals under the Securities and Exchange Board of India Act, 1992."

15 of 1992.

Omission of
section 110E.

95. Section 110E of the Insurance Act shall be omitted.

Omission of
sections 110G
and 110H.

96. Sections 110G and 110H of the Insurance Act shall be omitted.

Insertion of
new section
110HA.

97. After section 110H of the Insurance Act, the following section shall be inserted, namely:—

"110HA. Any penalty imposed by the Authority under this Act shall be recoverable as an arrear of land revenue."

Penalty to be
recoverable as
arrear of land
revenue.

Amendment
of section
111.

98. In section 111 of the Insurance Act,—

(a) in sub-section (1), the words "or provident society" occurring at both the places shall be omitted;

(b) in sub-section (2), in the proviso, the words "or to a provident society" shall be omitted.

99. For section 113 of the Insurance Act, the following section shall be substituted, namely:—

Substitution of new section for section 113.
Acquisition of surrender value by policy.

"113. (1) A policy of life insurance shall acquire surrender value as per the norms specified by the regulations.

(2) Every policy of life insurance shall contain the formula as approved by the Authority for calculation of guaranteed surrender value of the policy.

(3) Notwithstanding any contract to the contrary, a policy of life insurance under a non-linked plan which has acquired a surrender value shall not lapse by reason of non-payment of further premiums but shall be kept in force to the extent of paid-up sum insured, calculated by means of a formula as approved by the Authority and contained in the policy and the reversionary bonuses that have already been attached to the policy:

Provided that a policy of life insurance under a linked plan shall be kept in force in the manner as may be specified by the regulations.

(4) The provisions of sub-section (3) shall not apply—

(i) where the paid-up sum insured by a policy, inclusive of attached bonuses, is less than the amount specified by the Authority or takes the form of annuity of amount less than the amount specified by the Authority; or

(ii) when the parties, after the default has occurred in payment of the premium, agree in writing to other arrangement."

100. In section 114 of the Insurance Act,—

Amendment of section 114.

(a) in sub-section (2),—

(i) clause (aa) shall be omitted;

(ii) after clause (aa) as so omitted, the following clause shall be inserted, namely:—

"(aaa) the manner of ownership and control of Indian insurance company under sub-clause (b) of clause (7A) of section 2;"

(iii) clause (c) and clause (f) shall be omitted;

(iv) after clause (l), the following clauses shall be inserted, namely:—

"(la) the manner of inquiry under sub-section (l) of section 105C;

(lb) the form in which an appeal may be preferred under sub-section (2) and the fee payable in respect of such appeal and the procedure for filing and disposing of an appeal under sub-section (6) of section 110;"

(b) in sub-section (3), the words, brackets, figures and letters "or under sub-section (1) of section 64UB and every regulation made under sub-section (3) of section 64UB" shall be omitted.

101. In section 114A of the Insurance Act, in sub-section (2),—

Amendment of section 114A.

(i) for clauses (a) and (aa), the following clause shall be substituted, namely:—

"(a) manner of making application for registration and documents to be accompanied under sub-section (2) of section 3;"

(ii) for clause (d), the following clause shall be substituted, namely:—

"(d) such annual fee to the Authority and manner of payment under sub-section (1) of section 3A;"

(iii) after clause (d), the following clauses shall be inserted, namely:—

"(da) such minimum annuity and other benefits to be secured by the insurer under section 4;

(*daa*) determination of preliminary expenses that may be excluded for calculation of the stipulated paid-up equity capital for the insurers under sub-section (1) of section 6;

(*db*) such equity capital and such forms of capital including hybrid capital required under sub-section (1) of section 6A;";

(*iv*) clause (*e*) shall be omitted;

(*v*) after clause (*e*), as so omitted, the following clause shall be inserted, namely:—

"(*ea*) separation of account of all receipts and payments in respect of each classes and sub-classes of insurance business as required under sub-section (1) and sub-section (2AA) of section 10; and its waiver under the said section;";

(*vi*) in clause (*f*), for the words, brackets, figures and letter "under sub-section (1A) of section 11", the words, brackets and figures "under sub-section (1) of section 11" shall be substituted;

(*vii*) for clause (*g*), the following clause shall be substituted, namely:—

"(*g*) the manner in which an abstract of the report of the actuary to be specified and the form and manner in which the statement referred to in section 13 shall be appended;";

(*viii*) after clause (*g*), the following clauses shall be inserted, namely:—

"(*ga*) maintenance of records of policies and claims under clause (*c*) of sub-section (1) of section 14;

(*gb*) manner and form of issuance of policies in electronic form under sub-section (2) of section 14;";

(*ix*) for clause (*h*), the following clause shall be substituted, namely:—

"(*h*) the fee for procuring a copy of return or any part thereof under sub-section (1) of section 20;";

(*x*) for clause (*i*), the following clause shall be substituted, namely:—

"(*i*) investment of assets and further provisions regarding investments by an insurer and investment by insurers in certain cases under sections 27, 27A, 27B, 27C and time, manner and other conditions of investment of assets under section 27D;";

(*xi*) for clauses (*ia*), (*ib*), (*ic*), (*id*) and (*ie*), the following clauses shall be substituted, namely:—

"(*ia*) the form in which a return giving details of investments made, time and manner including its authentication under section 28;

(*ib*) the loans including the loans sanctioned to the full-time employees of the insurer under clause (*a*) of sub-section (3) of section 29;

(*ic*) the sum to be paid by the insurer to any person under section 31B;

(*id*) the obligation of insurer in respect of rural or social or unorganised sector and backward classes under section 32B and 32C;

(*ie*) the minimum percentage of insurance business in third party risks of motor vehicles under section 32D;";

(*xii*) for clause (*j*), the following clause shall be substituted, namely:—

"(*j*) the minimum information to be maintained by insurers or intermediary or insurance intermediary, as the case may be, in their books, the manner in

which such information shall be maintained, the checks and other verifications in that connection and all other matters incidental thereto under sub-section (7) of section 33;"

(xiii) after clause (j), the following clauses shall be inserted, namely:—

"(ja) the form in which balance-sheets in respect of the insurance business of each of the insurers concerned and the manner in which actuarial reports and abstracts in respect of the life insurance business are to be prepared under clauses (b) and (c) of sub-section (3) of section 35;

(jb) the manner of assessment of compensation under the proviso to sub-section (4A) of section 37A;

(jc) the fee to be charged by the insurer under sub-section (3) of section 39;

(jd) the manner and amount of remuneration or reward to be paid or received by way of commission or otherwise to an insurance agent or an intermediary or insurance intermediary under section 40;

(je) the manner and form of expenses of management under sections 40B and 40C;"

(xiv) clauses (k) and (l) shall be omitted;

(xv) for clause (m), the following clause shall be substituted, namely:—

"(m) the requisite qualifications or practical training or examination to be passed for appointment as an insurance agent under clause (e) of sub-section (3) of section 42;"

(xvi) clause (n) shall be omitted;

(xvii) for clause (o), the following clause shall be substituted, namely:—

"(o) the code of conduct under clause (h) of sub-section (3) of section 42;"

(xviii) clause (p) shall be omitted;

(xix) clause (va) shall be omitted;

(xx) in clause (vb), the words, brackets and figure "sub-section (2) of" shall be omitted;

(xxi) clause (w) shall be omitted;

(xxii) for clause (x), the following clauses shall be substituted, namely:—

"(x) academic qualifications and code of conduct for surveyors and loss assessors under sub-sections (1) and (2) of section 64UM;

(xa) the period for which a person may act as a surveyor or loss assessor under sub-section (3) of section 64UM;"

(xxiii) for clause (y), the following clause shall be substituted, namely:—

"(y) the manner of exclusion of certain assets under sub-section (1), the manner of valuation of liabilities under sub-section (2) and time for furnishing statement under sub-section (3) of section 64V;"

(xxiv) for clause (za), the following clause shall be substituted, namely:—

"(za) the matters specified under sub-section (1) of section 64VA relating to sufficiency of assets;"

(xxv) after clause (zaa), the following clauses shall be inserted, namely:—

"(zab) the form, time, manner including authentication of the return giving details of solvency margin under sub-section (9) of section 64VA;

(zac) the manner of opening and closing places of business under section 64VC;"

(xxvi) after clause (zb), the following clause shall be inserted, namely:—

"(zba) the norms for surrender value of life insurance policy under sub-section (1) of section 113;"

Omission of Fifth, Sixth and Eighth Schedules.

102. In the Insurance Act, the Fifth Schedule, the Sixth Schedule and the Eighth Schedule shall be omitted.

CHAPTER III

AMENDMENTS TO THE GENERAL INSURANCE BUSINESS (NATIONALISATION) ACT, 1972

Insertion of a new section 10B.

103. In the General Insurance Business (Nationalisation) Act, 1972, after section 10A, the following section shall be inserted, namely:— 57 of 1972.

Enhancement of equity capital of General Insurance companies.

"10B. The General Insurance Corporation and the insurance companies specified in section 10A may, raise their capital for increasing their business in rural and social sectors, to meet solvency margin and such other purposes, as the Central Government may empower in this behalf:

Provided that the shareholding of the Central Government shall not be less than fifty one per cent. at any time."

Omission of section 25.

104. Section 25 of the General Insurance Business (Nationalisation) Act, 1972 shall be omitted. 57 of 1972.

CHAPTER IV

AMENDMENTS TO THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

Amendment of section 2.

105. In section 2 of the Insurance Regulatory and Development Authority Act, 1999, in sub-section (1),— 41 of 1999.

(i) in clause (b), after the words "Development Authority", the words "of India", shall be inserted;

(ii) for clause (f), the following clause shall be substituted, namely:—

‘(f) "Intermediary" or "insurance intermediary" includes insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, surveyors and loss assessors and such other entities, as may be notified by the Authority from time to time.’

Amendment of section 3.

106. In section 3 of the Insurance Regulatory and Development Authority Act, 1999, in sub-section (1), after the words "Development Authority" the words "of India" shall be inserted. 41 of 1999.

Amendment of section 16.

107. In section 16 of Insurance Regulatory and Development Authority Act, 1999, in sub-section (1), clause (c) shall be omitted. 41 of 1999.

Repeal and Savings.

108. (1) The Insurance Laws (Amendment) Ordinance, 2014, is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the Insurance Act, 1938, the General Insurance Business (Nationalisation) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999 as amended by the said Ordinance, shall be deemed to have been done or taken under the corresponding provisions of the said Acts, as amended by this Act. 4 of 1938.
57 of 1972.
41 of 1999.

STATEMENT OF OBJECTS AND REASONS

The Insurance Act, 1938 (Insurance Act) provides for and regulates the insurance business in the country. However, with the enactment of the Insurance Regulatory and Development Authority Act, 1999 (the IRDA Act), the insurance business was opened up to the private sector. As a result of opening up of the insurance business, the number of insurance companies has increased from six nationalised companies in 1999 to fifty-three insurance companies as on today. The IRDA Act paved the way for establishment of the Insurance Regulatory and Development Authority (IRDA) to protect the interest of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. The General Insurance Business (Nationalisation) Act, 1972 (GIBNA Act) nationalised the general insurance business in India and provided for the acquisition and transfer of shares of Indian general insurance companies, in order to serve better the need of the economy, by securing the development of general insurance business in the best interest of the public.

2. At the instance of the Insurance Regulatory and Development Authority (IRDA), the Law Commission of India (the Commission) had examined the Insurance Act, 1938 and the IRDA Act and submitted its 190th Report to the Government on the 1st June, 2004. The recommendations of the Commission covered legal issues concerning repudiation of life insurance policies; nomination, assignment and transfer of policies; merger of the IRDA Act with the Insurance Act, 1938; setting up of a grievance redressal mechanism, deletion of redundant provisions of the Insurance Act, 1938, etc. IRDA constituted a Committee of Experts under Sh. K.P. Narasimhan, ex-Chairman, LIC (the KPN Committee) on the 7th March, 2005 to examine the recommendations made by the Commission. The Committee submitted its report to IRDA on the 26th July, 2005.

3. IRDA offered its comments on the recommendations of the Commission and the KPN Committee, and proposed some amendments to the Life Insurance Corporation Act, 1956, GIBNA Act, the Insurance Act, 1938 and the IRDA Act. After examining the recommendations of the Law Commission, KPN Committee and IRDA, the Insurance Laws (Amendment) Bill, 2006 was prepared. It incorporated amendments to the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, the GIBNA Act and the IRDA Act. The proposed Insurance Laws (Amendment) Bill, 2006 was referred to a Group of Ministers (GOM).

4. Accordingly, the GOM examined the proposed amendments and decided that the amendment to the Life Insurance Corporation Act, 1956 may be carried out separately and not with amendments to the other insurance related Acts. Accordingly, the Insurance Laws (Amendment) Bill, 2008 with a view to amend the Insurance Act, 1938, the GIBNA Act and the IRDA Act, through a total of 111 clauses, was prepared. The Insurance Laws (Amendment) Bill, 2008 was introduced in Rajya Sabha on the 22nd December, 2008. On introduction in the Rajya Sabha in December, 2008, the Bill was referred to the Standing Committee on Finance for examination and report. The Standing Committee submitted its report to Parliament on the 13th December, 2011. After examination and processing of the Standing Committee report, the Government on the 14th November, 2012, and on other occasions thereafter, gave notice to introduce 88 official amendments to the Insurance Laws (Amendment) Bill, 2008. The Bill, however, could not be taken up for consideration and passing.

5. Subsequently in August, 2014 the Government proposed 11 additional official amendments to the Insurance Laws (Amendment) Bill, 2008, in addition to the earlier 88. The Bill could, however, not be taken up by the House and was referred to a Select Committee of the Rajya Sabha under the Chairmanship of Dr. Chandan Mitra on 14th August, 2014.

6. The Select Committee, in its report presented to Parliament on 10th December, 2014, made various recommendations suggesting certain amendments in the 2008 Bill. Based on its recommendations, the Select Committee incorporated amendments to the Insurance Laws (Amendment) Bill, 2008 along with the 99 official amendments proposed by Government earlier, and reported a revised Bill, termed as the Insurance Laws (Amendment) Bill, 2014, with its report.

7. The Cabinet in its meeting held on the 10th December, 2014 approved the proposal to enable the Bill as reported by the Select Committee to be taken up for consideration and passing. Accordingly, the Finance Minister gave notice of a motion in the Rajya Sabha that the Bill as reported by the Select Committee be taken into consideration and be passed. However, the Bill could not be taken up for consideration in the Rajya Sabha during the winter session 2014.

8. In view of the urgency of the matter and given the circumstances that existed, which rendered it necessary to give immediate effect to the proposed amendments in the Insurance laws by way of promulgation of an Ordinance, the Cabinet approved on the 24th December, 2014 the promulgation of the Insurance Laws (Amendment) Ordinance, 2014 to amend the Insurance Act, 1938, the GIBNA Act and the IRDA Act in accordance with the Insurance Laws (Amendment) Bill, 2008 as reported by the Select Committee of the Rajya Sabha, and for suitably introducing a Bill in Parliament to replace the Ordinance in the next session for consideration and passing. The Ordinance came into force with effect from the 26th December, 2014 after the Presidential assent.

9. Accordingly, to replace the above Ordinance, the Insurance Laws (Amendment) Bill, 2015 is being introduced in Parliament. The Insurance Laws (Amendment) Bill, 2015 proposes to amend the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the General Insurance Business (Nationalisation) Act, 1972. The said Bill, *inter alia*, seeks to—

(i) define "health insurance business" and retain capital requirements for health insurers at the level of Rs. 100 crore to discourage non-serious players;

(ii) raise foreign equity investment cap in insurance sector from 26 per cent to 49 per cent with appropriate safeguards of mandating Indian ownership and control. It also defines the term "control" in the Insurance Act itself by adding the following *Explanation* after the proposed text of clause (7A) of section 2 of the Insurance Act, 1938:

‘*Explanation.*—The term "control" shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.’;

(iii) redefine "re-insurance" as the insurance of part of one insurer's risk by another insurer who accepts the risk for a mutually acceptable premium and thereby exclude the possibility of 100 per cent ceding of risk to a re-insurer;

(iv) permit foreign re-insurers to open branches only for re-insurance business in India;

(v) facilitate entry of Lloyd's of London in insurance business in India in joint venture with Indian partners and also as branch of foreign re-insurer;

(vi) provide for permanent registration of the insurers with annual renewal fee and right to cancel the registration on breach of conditions specified by the IRDA;

(vii) provide for maintenance of a register of claims and policies by Insurers in any form, including electronic;

(viii) specify fine on intermediaries and insurance companies for misconduct of intermediaries and to make appropriate provision in the legislation to effectively deter multilevel marketing of insurance products in the interest of policyholders and to curtail the practice of mis-selling;

(ix) enable agents to work across companies in various business categories;

(x) enable inclusion of representatives of self-help groups and insurance cooperative societies in insurance councils;

(xi) broaden scope of proposed section 64UM of the Insurance Act to more broadly empower the Authority to regulate the functions, code of conduct, etc., of surveyors and loss assessors;

(xii) allow flexibility to IRDA to define new insurance intermediaries in a dynamic world, as the industry progresses;

(xiii) remove restriction on divestment by Indian promoters of insurance companies, which were required earlier to divest to 26 per cent or such other, prescribed percentage in the manner and period prescribed by the Central Government;

(xiv) remove requirement of deposits by insurers for registration in view of these being regulated by the IRDA on the basis of solvency margin;

(xv) provide for obligatory underwriting of third party risks of motor vehicles on the pattern of insurance in rural areas and social sectors with exemption to various standalone / mono-line insurers such as those operating in areas like health, re-insurance, agriculture, export credit guarantee;

(xvi) make provision for absolute and conditional assignments of life insurance policies;

(xvii) entrust responsibility of appointing insurance agents to insurers with IRDA to regulate their eligibility, qualifications and other aspects;

(xviii) make life insurance policy unchallengeable on whatsoever ground after three years of issue of the policy and limiting the grounds for challenge during the period within three years;

(xix) delete provisions relating to Tariff Advisory Committee (TAC) in view of the detariffing of rates and premiums with effect from the 1st January, 2007;

(xx) provide for making Life Insurance Council and General Insurance Council as self-regulating bodies by empowering them to frame bye-laws for elections, meetings, levy and collection of fees from its members;

(xxi) provide for powers of adjudication to the Authority and appeal to Securities Appellate Tribunal against the decisions of the Authority;

(xxii) bar courts from taking cognizance of any offence punishable under the Insurance Act, save on a complaint made by an officer of IRDA;

(xxiii) delete redundant provisions and make consequential amendments to various provisions in the Insurance Act;

(xxiv) allow insurance companies to raise capital through newer instruments on the pattern of banks;

(xxv) enable formulation of regulations by IRDA for payment of commission and control of management expenses provided that IRDA shall take into account the interests of the agents and other intermediaries concerned;

(xxvi) enable formulation of regulations for opening and closing of foreign branches and the closing of domestic branches of Indian insurers and norms for opening domestic branches;

(xxvii) address matters relating to the functions, code of conduct, etc., of surveyors and loss assessors through regulations;

(xxviii) allow the Public Sector General Insurance Companies and General Insurance Corporation (GIC) to raise capital from the market to meet future capital requirements, provided that the Government's shareholding would not be allowed to come below 51 per cent at any point of time; and

(xxix) include "corporate agent" and "third party administrator" in the definition of "insurance intermediaries" in the IRDA Act.

10. The proposed amendments are aimed at bringing about improvements and revision in the laws relating to insurance business in India to remove archaic provisions and incorporate modern day practices emerging in a changing dynamic environment, which includes private participation. The amendments also incorporate provisions to provide IRDA with the flexibility to discharge its functions more effectively and efficiently.

11. The Bill seeks to replace the aforesaid Ordinance.

ARUN JAITLEY.

NEW DELHI;

The 14th February, 2015.

Notes on clauses

Clause 2.—This clause seeks to substitute the words "Indian Companies Act, 1913" and "the Companies Act, 1956" throughout the Insurance Act, 1938 with the words "the Companies Act, 2013".

Clause 3.—This clause seeks to amend section 2 of the Act so as to amend the definitions of actuary, Authority, Indian insurance company, insurance co-operative society, insurer and to insert the new definitions of health insurance business, re-insurance and the Securities Appellate Tribunal in the said section.

Clause 4.—This clause seeks to insert a new section 2CB in the Act to prohibit insurance of the properties in India, ship, vessel, aircraft registered in India from foreign insurer India save with the prior permission of the Authority. It also proposed a penalty of five crore of rupees for contravention of this provision.

Clause 5.—This clause seeks to omit section 2E of the Act relating to insurers, who enter into new contracts before commencement of the Act, as it has become redundant.

Clause 6.—This clause seeks to amend section 3 of the Act to regulate the manner of making application for registration of insurers by regulation and provide for appeal to Securities Appellate Tribunal against the refusal of registration by the Authority and suspension or cancellation of registration in certain cases.

Clause 7.—This clause seeks to substitute section 3A of the Act to provide for annual fee in place of annual renewal of registration of insurers by regulations.

Clause 8.—This clause seeks to substitute section 4 of the Act to provide for minimum limit for annuities and other benefits secured by policies of life insurance by regulations.

Clause 9.—This clause seeks to amend section 5 of the Act to omit the redundant provisions.

Clause 10.—This clause seeks to substitute section 6 of the Act to provide for capital of rupees one hundred crore for exclusive health insurance business and minimum net owned funds of rupees five thousand crore for a foreign re-insurer opening branch in India.

Clause 11.—This clause seeks to amend section 6A of the Act to regulate the capital structure, voting rights, maintenance of records of the shareholders, etc., of life, general, health insurance and re-insurance companies and to omit certain redundant provisions.

Clause 12.—This clause seeks to omit section 6AA of the Act relating to manner of divesting of the excess shareholding by promoters in certain cases.

Clause 13.—This clause seeks to amend section 6B of the Act to include general, health insurance business and re-insurance for compliance of capital structure, empower the Authority to regulate the same in place of the Central Government and empower the Securities Appellate Tribunal to hear appeals in place of the High Court.

Clause 14.—This clause seeks to omit sections 6C, 7, 8 and 9 of the Act relating to capital structure, company limited by guarantee and deposits by the insurers before registration.

Clause 15.—This clause seeks to amend section 10 of the Act to empower the Authority to regulate the separation of accounts and funds of insurers.

Clause 16.—This clause seeks to substitute section 11 of the Act to empower the Authority to regulate preparation of annual accounts and balance sheet by insurers.

Clause 17.—This clause seeks to substitute section 12 of the Act to provide for audit of insurance business.

Clause 18.—This clause seeks to amend section 13 of the Act to omit the redundant provisions relating to actuarial investigation and empower the Authority to regulate the insurance business through actuaries.

Clause 19.—This clause seeks to substitute section 14 of the Act to provide for maintenance of records of policies and claims in any form, including electronic mode and issuance of policies above a specified threshold in terms of sum assured and premium in electronic form.

Clause 20.—This clause seeks to substitute section 15 of the Act to omit certain redundant provisions relating to submission of returns by insurers.

Clause 21.—This clause seeks to omit section 16 of the Act relating to returns by insurers established outside India.

Clause 22.—This clause seeks to omit sections 17 and 17A of the Act relating to exemption from certain provisions of the Indian Companies Act, 1913 and furnishing of balance sheet and accounts to Registrar of Companies and non-application of the Act to the preparation of accounts for the period prior to 1968.

Clause 23.—This clause seeks to amend section 20 of the Act to empower the Authority to regulate filing of copy of the returns of the insurers and allowing their inspection for a fee as specified by Regulations.

Clause 24.—This clause seeks to amend section 21 of the Act to provide for appeal to the Securities Appellate Tribunal by insurers against the final order of the Authority not accepting a return or other statement submitted to it.

Clause 25.—This clause seeks to amend section 22 of the Act to make consequential amendments relating to powers of the Authority.

Clause 26.—This clause seeks to substitute sections 27, 27A, 27B, 27C and 27D of the Act to provide for broad guidelines for investment by insurers and prohibit investment of funds outside India. The objective is to make the investment provisions more effective.

Clause 27.—This clause seeks to substitute sections 28, 28A and 28B to empower the Authority to regulate statements, returns of investment of assets of insurers.

Clause 28.—This clause seeks to substitute section 29 of the Act to provide for granting of loans or advances to subsidiaries of insurance companies with the prior approval of the Authority.

Clause 29.—This clause seeks to substitute section 30 of the Act to provide for liability of directors, managers or officers for loss sustained by insurer or policyholders due to contravention of the provisions relating to investments.

Clause 30.—This clause seeks to amend section 31 of the Act to provide that none of the assets in India of any insurer shall be kept otherwise than in the name of a public officer approved by the Authority.

Clause 31.—This clause seeks to amend section 31A of the Act to omit redundant provisions relating to management of the insurance companies.

Clause 32.—This clause seeks to substitute section 31B of the Act to empower the Authority to regulate the payment of excessive remuneration.

Clause 33.—This clause seeks to omit section 32 of the Act relating to employment of managing agents.

Clause 34.—This clause seeks to amend section 32A of the Act to prohibit the common officer for insurers and prescribe a full-time officer.

Clause 35.—This clause seeks to amend section 32B of the Act to provide for insurance business in rural and social sector in place of rural or social sector.

Clause 36.—This clause seeks to insert a new section 32D in the Act for obligation on all insurers in respect of third party risks of motor vehicles except any insurer who is primarily engaged in the business of health, re-insurance, agriculture, export credit guarantee.

Clause 37.—This clause seeks to substitute section 33 of the Act to provide for coverage of intermediary or insurance intermediary for investigation and inspection by the Authority and allows any insurer or intermediary or insurance intermediary aggrieved by any order made under this section to prefer an appeal to the Securities Appellate Tribunal.

Clause 38.—This clause seeks to amend section 34B to enhance the penalty of one lakh rupees for each day during which such contravention continues or one crore rupees, whichever is less, for contravention of the orders of the Authority for removal of managerial persons from office.

Clause 39.—This clause seeks to amend section 34C of the Act to provide for consultation with the Central Government for appointment of Additional Directors of the insurers by the Authority in public interest.

Clause 40.—This clause seeks to omit section 34G of the Act relating to the power of the Authority to order closure of foreign branches of Indian insurance companies.

Clause 41.—This clause seeks to amend section 34H of the Act to designate Deputy Director or an equivalent officer of the Authority as authority for search and seizure ordered by the Authority and substitute the Securities Appellate Tribunal in place of the Central Government.

Clause 42.—This clause seeks to amend section 35 of the Act to empower the Authority to regulate amalgamation and transfer of insurance business.

Clause 43.—This clause seeks to substitute section 36 of the Act relating to the sanction of amalgamation and transfer of insurance business by the Authority by omitting redundant provisions.

Clause 44.—This clause seeks to amend section 37A of the Act to provide for the scheme for amalgamation to be notified in the Official Gazette after approval of the Central Government. This clause allows the policyholder or shareholder or member of each of the insurers to file an appeal before the Securities Appellate Tribunal against the recommendation of the Authority for amalgamation.

Clause 45.—This clause seeks to substitute sections 38, 39 and 40 of the Act dealing with assignment and transfer of insurance policies to make a clear distinction between absolute and conditional assignments of life policies. It also empowers the Authority to regulate payment of commission for procuring business by taking into consideration the

nature and tenure of the policy and in particular the interest of the agents and other intermediaries concerned.

Clause 46.—This clause seeks to omit section 40A of the Act to omit the redundant provisions relating to limitation of expenditure on commission.

Clause 47.—This clause seeks to substitute sections 40B and 40C of the Act to regulate management expenses of life, general and health insurers and re-insurers.

Clause 48.—This clause seeks to amend section 41 of the Act by enhancing the penalty from five hundred rupees up to ten lakh rupees in case an insurer contravenes the provision relating to prohibition of rebates.

Clause 49.—This clause seeks to substitute section 42 of the Act to regulate the appointment of insurance agents by insurers in respect of eligibility, disqualification and other aspects and to make the insurer responsible for all the acts and omissions of its agents including violation of code of conduct specified under clause (h) of sub-section (3) and liable to a penalty which may extend to one crore rupees.

Clause 50.—This clause seeks to substitute sections 42A, 42B and 42C of the Act with new section 42A which prohibits insurance business through principal agent, special agent and multilevel marketing.

Clause 51.—This clause seeks to amend section 42D of the Act to provide for registration in place of licensing of intermediary or insurance intermediary by the Authority and imposition of penalty up to one crore rupees on any person acting as an intermediary or an insurance intermediary without registration.

Clause 52.—This clause seeks to substitute section 42E of the Act to regulate requirement of capital, form of business and other conditions for intermediary or insurance intermediary.

Clause 53.—This clause seeks to substitute section 43 of the Act to enable the insurers to keep the records of insurance agents as long as the insurance agent is in service and for a period of five years after the cessation of appointment.

Clause 54.—This clause seeks to omit section 44 of the Act relating to shifting of agents from one insurer to another insurer.

Clause 55.—This clause seeks to substitute sections 44A and 45 of the Act to provide that no policy of life insurance shall be called in question on any ground after the period of three years. It also provides that the policy can be called in question by the insurer within the period of three years only in case of fraud.

Clause 56.—This clause seeks to omit sections 47A and 48 of the Act relating to claims on small life insurance policies and directors of insurers being companies.

Clause 57.—This clause seeks to substitute section 48A of the Act to prohibit insurance agents or insurance intermediaries from becoming director in any insurance company.

Clause 58.—This clause seeks to amend section 49 of the Act relating to restriction of dividends and bonuses in order to omit certain redundant provisions.

Clause 59.—This clause seeks to substitute sections 52 and 52A of the Act in order to omit redundant provisions in the section relating to prohibition of the business on dividing principle. It further provides for appointment of an Administrator by the Authority to manage the affairs of the insurer.

Clause 60.—This clause seeks to amend section 52BB of the Act to provide for appeal to the Securities Appellate Tribunal in place of the Central Government against the order of attachment of property by the Authority.

Clause 61.—This clause seeks to substitute section 52D of the Act to provide for termination of appointment of an Administrator by the Authority in place of the Central Government.

Clause 62.—This clause seeks to amend section 52E of the Act to provide for final decision on appointment of an Administrator by the Authority in place of the Central Government.

Clause 63.—This clause seeks to amend section 52F of the Act to provide the penalty of ten thousand rupees for each day of withholding the documents of property from the Administrator appointed by the Authority during which such failure continues or ten lakh rupees, whichever is less.

Clause 64.—This clause seeks to amend section 52G of the Act to omit the words "Central Government" as a consequential change.

Clause 65.—This clause seeks to omit sections 52H to 52N (both inclusive) of the Act relating to acquisition of the undertakings of the insurers in certain cases by the Central Government, being redundant.

Clause 66.—This clause seeks to amend section 53 of the Act to provide for insertion of Explanation defining Tribunal under the Companies Act, 2013.

Clause 67.—This clause seeks to make consequential amendments in section 58 of the Act to substitute relevant sections of the Companies Act, 2013 in place of Indian Companies Act, 1913.

Clause 68.—This clause seeks to omit section 59 of the Act relating to return of deposits as such deposits by insurers before registration are proposed to be discontinued.

Clause 69.—This clause seeks to amend the heading in Part IIA of the Act.

Clause 70.—This clause seeks to omit sections 64A and 64B of the Act relating to incorporation of the Insurance Association of India and entry of names of the members in the register.

Clause 71.—This clause seeks to substitute sections 64C and 64D of the Act to provide for consequential amendment to the section dealing with the Life Insurance Council and the General Insurance Council.

Clause 72.—This clause seeks to substitute section 64F of the Act relating to composition, function and operational issues of the Life Insurance Council and the General Insurance Council to make them the self-regulatory organisations.

Clause 73.—This clause seeks to amend section 64G of the Act to empower the Executive Committees of Life Insurance Council and the General Insurance Council to nominate members on casual vacancies in such manner as may be laid down in the bye-laws of the Council concerned.

Clause 74.—This clause seeks to omit section 64-I of the Act relating to holding of examination for insurance agents by the Life Insurance Council.

Clause 75.—This clause seeks to amend section 64J of the Act to enable the Life Insurance Council to collect such fees as may be laid down in the bye-laws of the Council from the insurers carrying on life insurance business.

Clause 76.—This clause seeks to amend section 64L of the Act to enable the General Insurance Council to collect such fees as may be laid down in the bye-laws of the Council from the insurers carrying on general insurance business.

Clause 77.—This clause seeks to amend section 64N of the Act to empower the Authority to specify the manner for holding of joint meeting of the Executive Committees of the Life and the General Insurance Councils.

Clause 78.—This clause seeks to amend section 64R of the Act to empower the Life Insurance Council and the General Insurance Council to make bye-laws for elections, meetings, levy and collection of fees, etc.

Clause 79.—This clause seeks to omit sections 64S and 64T of the Act relating to transitory provisions.

Clause 80.—This clause seeks to omit sections 64U to 64UL (both inclusive) of the Act relating to Tariff Advisory Committee and control of rates in view of the de-tariffing with effect from 01-01-2007.

Clause 81.—This clause seeks to insert a new section 64ULA in the Act to provide transitory provisions for continuation of rates, terms and conditions fixed by the Tariff Advisory Committee.

Clause 82.—This clause seeks to substitute section 64UM of the Act to empower the Authority to regulate the functions, code of conduct, etc., of surveyors and loss assessors.

Clause 83.—This clause seeks to substitute sections 64V and 64VA of the Act to empower the Authority to regulate valuation of the assets and procedure for calculation of solvency margin of insurers.

Clause 84.—This clause seeks to substitute section 64VC of the Act to empower the Authority to regulate opening and closing of places of business of insurers.

Clause 85.—This clause seeks to omit Part III and Part IIIA of the Act relating to provident societies, which are no longer permitted to underwrite the insurance business. It also omits the provisions relating to insurance co-operative societies.

Clause 86.—This clause seeks to omit Part IV of the Act relating to mutual insurance companies and life insurance societies, as they are not allowed to underwrite insurance business in India.

Clause 87.—This clause seeks to amend section 102 of the Act to enhance the penalty for default in complying with, or act in contravention of, the Act to one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

Clause 88.—This clause seeks to substitute sections 103 and 104 of the Act to enhance the fine not exceeding twenty-five crore rupees and with imprisonment which may extend to ten years in case a person carries on business of insurance without obtaining a certificate of registration. It also enhances the maximum limit of penalty for contravention of provisions relating to investment of controlled fund or assets to twenty-five crore rupees.

Clause 89.—This clause seeks to amend section 105 of the Act to enhance the penalty not exceeding one crore rupees in case any executive of the insurer wrongfully obtains or withholds the property under the Act.

Clause 90.—This clause seeks to substitute sections 105B and 105C of the Act to enhance penalty in case an insurer fails to comply with the obligations for rural or social sector or third party insurance for motor vehicles to not exceeding twenty-five crore rupees.

It further provides for powers of adjudication to the Authority and provides penalty for contravention where there is no separate penalty provided in the Act.

Clause 91.—This clause seeks to amend section 106A of the Act which is consequential in nature.

Clause 92.—This clause seeks to omit sections 107 and 107A of the Act being redundant.

Clause 93.—This clause seeks to substitute section 109 of the Act to provide that no court shall take cognizance of any offence punishable under the Act save on a complaint made by an officer of the Authority or by any person authorised by it.

Clause 94.—This clause seeks to substitute section 110 of the Act to provide for appeal to the Securities and Appellate Tribunal against the decision of the Authority and omit certain redundant provisions.

Clause 95.—This clause seeks to omit section 110E of the Act being redundant.

Clause 96.—This clause seeks to omit sections 110G and 110H of the Act relating to appeals in view of the provision for appeal to the Securities Appellate Tribunal.

Clause 97.—This clause seeks to insert a new section 110HA in the Act to provide for recovery of penalties imposed by the Authority as arrears of land revenue.

Clause 98.—This clause seeks to amend section 111 of the Act to omit the words "provident society".

Clause 99.—This clause seeks to substitute section 113 of the Act to omit redundant provisions relating to acquisition of surrender value of life insurance policies.

Clause 100.—This clause seeks to amend section 114 of the Act to omit and insert the provisions relating to rule making powers in respect of which substantive provisions have been made in the Act.

Clause 101.—This clause seeks to amend section 114A of the Act to omit and insert the provisions relating to regulation making powers in respect of which substantive provisions have been made in the Act.

Clause 102.—This clause seeks to omit the Fifth Schedule, Sixth Schedule and Eighth Schedule from the Act being redundant.

Clause 103.—This clause seeks to amend the General Insurance Business (Nationalisation) Act, 1972 to insert section 10B to empower the Central Government to allow public sector General Insurance companies to raise money from the market to meet their capital requirements.

Clause 104.—This clause seeks to omit section 25 from the General Insurance Business (Nationalisation) Act, 1972 relating to properties in India not to be insured with foreign insurers except with permission of the Central Government as the said provision has been kept in the Insurance Act, 1938.

Clause 105.—This clause seeks to amend section 2 of the Insurance Regulatory and Development Authority Act, 1999 in order to substitute "Insurance Regulatory and Development Authority" with "Insurance Regulatory and Development Authority of India" and include corporate agents and third party administrators in the definition of intermediaries.

Clause 106.—This clause seeks to amend section 3 of the Insurance Regulatory and Development Authority Act, 1999 consequent upon the change of the name of the Insurance Regulatory and Development Authority to Insurance Regulatory and Development Authority of India.

Clause 107.—This clause seeks to omit clause (c) of sub-section (1) of section 16 of the Insurance Regulatory and Development Authority Act, 1999 relating to imposition of levy on insurers by the Authority as a percentage of premium income of the insurers for Insurance Regulatory and Development Authority Fund.

Clause 108.—This clause seeks to repeal the Insurance Laws (Amendment) Ordinance, 2014 and to save the amendments made to the Insurance Act, 1938, the General Insurance Business (Nationalisation) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999 by the Insurance Laws (Amendment) Act, 2015.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 100 of the Bill seeks to amend section 114 of the Insurance Act, 1938 which empowers the Central Government to make rules. The matters on which rules may be made, *inter alia*, relate to—(i) the manner of inquiry under sub-section (1) of section 105C; (ii) the form in which an appeal may be preferred under sub-section (2) and the fee payable in respect of such appeal; (iii) the procedure for filing and disposing of an appeal under sub-section (6) of section 110.

Clause 101 of the Bill seeks to amend section 114A of the Insurance Act, 1938 which empowers the Insurance Regulatory and Development Authority to make regulations consistent with the Act and the rules made thereunder, to carry out the purposes of the Act. The matters on which regulations may be made, *inter alia*, relate to—(i) manner of making application for registration and documents under sub-section (2) of section 3; (ii) annual fee to the Authority and manner of payment under sub-section (1) of section 3A; (iii) the manner in which an abstract of the report of the actuary to be specified; (iv) the fee for procuring a copy of return under sub-section (1) of section 20; (v) the form in which a return giving details of investments made under section 28; (vi) the loans including the loans sanctioned to the full-time employees of the insurer under clause (a) of sub-section (3) of section 29; (vii) the sum to be paid by the insurer to any person under section 31B; (viii) the obligation of insurer in respect of rural or social or unorganised sector and backward classes under sections 32B and 32C; (ix) the minimum percentage of insurance business in third party risks of motor vehicles under section 32D; (x) the form in which balance sheets in respect of the insurance business of each of the insurers concerned and the manner in which actuarial reports and abstracts in respect of the life insurance business are to be prepared under clauses (b) and (c) of sub-section (3) of section 35; (xi) the manner of assessment of compensation under the proviso to sub-section (4A) of section 37A; (xii) the fee to be charged by the insurer under sub-section (3) of section 39; (xiii) the manner of payment of benefits under sub-section (12) of section 39; (xiv) the manner and amount of remuneration or reward to be paid or received by way of commission or otherwise to an insurance agent or an intermediary or insurance intermediary under section 40; (xv) the manner and form of expenses of management under section 40C; (xvi) the requisite qualifications or practical training or examination to be passed for appointment as an insurance agent under clause (e) of sub-section (3) of section 42; (xvii) the code of conduct under clause (h) of sub-section (3) of section 42; (xviii) the manner of exclusion of certain assets, the manner of valuation of liabilities and time for furnishing statement under section 64V; (xix) the manner of opening and closing places of business under section 64VC; (xx) the norms for surrender value of life insurance policy under sub-section (1) of section 113.

2. The rules made under section 114 and the regulations made under section 114A of the Insurance Act, 1938, shall have to be laid, as soon as they are made, before both Houses of Parliament.

3. The matters in respect of which rules and regulations may be made are matters of procedure or administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

ANOOP MISHRA
Secretary General